



Regional Court Düsseldorf

4a O 15/17

Decision of 09 November 2018

[...]

Grounds

[...]

III.

The defendant cannot successfully invoke the antitrust compulsory license objection.

It cannot be established that the plaintiff is using its dominant market position (see point 1) in an abusive manner (see point 2).

1.

The plaintiff holds a dominant market position within the meaning of Article 102 TFEU.

a)

“Dominance” in this context means economic power which allows a company to prevent effective competition on the market (in time, geographically and objectively) and to behave to a significant extent independently of its competitors, customers and consumers (ECJ SIg. 78, 207 para. 65 et seq. - United Brands; ECJ ECR 79, 461 para. 38 et seq. - Hoffmann-La Roche). The exact definition of the market in product and geographic terms is carried out by mean of the so-called demand market concept. It is necessary to identify the competitive forces to which the companies concerned are subject. It also identifies those companies which are effectively able to constrain the behaviour of the companies concerned and to prevent withdrawal of competitive pressure. It must be clarified which products or services are functionally interchangeable from the point of view of the consumers. It is allocated to the same product market what cannot be substituted by other products or services from the point of view of the consumer due to the respective characteristics, prices and intended uses. A combination of several factors (e.g. market share, company structure, competitive situation, behaviour on the market; but basically not the price) must be taken into account



(Higher Regional Court Düsseldorf, judgment of 30 March 2017, docket no. I-15 U 66/15, para. 148 – Mobiles Kommunikationssystem, cited according to juris).

In connection with the prohibition rights from a patent asserted here, the demarcation described is to be made in relation to the licensing market (Higher Regional Court Düsseldorf, *ibid.*, para. 149; Kühnen, *ibid.*, chap. E., para. 217): The supplier is the patent proprietor, who alone is able to grant a license for the respective patent; the buyer is the user interested in the patent-protected technology. The mere ownership of patents alone does not constitute a dominant position. If, however, the patent owner is given the opportunity to prevent effective competition on a downstream market by means of his monopoly position due to additional circumstances, then a dominant market position exists (ECJ, GRUR Int 1995, 490 - Magill TVG Guide; ECJ, WuW 2013, 427 - Astra Zeneca; Federal Court of Justice, NJW-RR 2010, 392 ff. - Reisestellenkarte). Such a downstream product market exists for goods/services licensed under the patent.

Not every standard essential patent as such establishes market dominance (Higher Regional Court Düsseldorf, *ibid.*, para. 150; Kühnen, *ibid.*, chap. E., para. 220). However, such a situation is to be assumed without further ado if access to the use of the SEP in question presents itself as a genuine prerequisite for market entry (Higher Regional Court Düsseldorf, *loc. cit.*; Kühnen, *ibid.*, chapter E, para. 221), which is the case if only products are offered and demanded on the relevant market that implement the standard through the use of the SEP (Higher Regional Court Düsseldorf, *loc. cit.*; Kühnen, *loc. cit.*). The same applies if products are offered on the relevant market that do not have the SEP product configuration, but a competitive offer is not possible without access to the use of the contested SEP (Kühnen, *op. cit.*).

Conversely, it follows from the foregoing that the lack of standard essentiality of a patent does not necessarily preclude the assumption of dominance. Market dominance can result from the technical or economic superiority of a patented invention even without standard essentiality (Higher Regional Court Düsseldorf, *loc. cit.*).

The defendant bears the burden of presentation and proof for market dominance in accordance with the general principles (Higher Regional Court Düsseldorf, *ibid.*, para. 151; Kühnen, *ibid.*, chapter E, para. 225). In this respect, the defendant is required to submit very concrete facts which permit a judicial review of whether or not a dominant position exists on the relevant geographic and product market (Kühnen, *loc. cit.*).

b)

On the basis of the foregoing principles, there is no reasonable doubt that the plaintiff, by virtue of its capacity as proprietor of the patent, enjoys a dominant position on the market.

The defendant has argued that there is no economically viable ("realistic") alternative to the AVC/H.264 patent pool on the licensing market for the AVC/H.264 standard. The



defendant further substantiated this submission by referring to an article by M P Sharabayko and N G Markov written for the *"International Conference on Information Technologies in Business and Industry 2016"* under the title *"H.264/AVC Video Compression on Smartphones"* (Annex B1; German translation: Annex 1a) and argued that almost all smartphones available worldwide make use of the standard at issue in order to play video content. The plaintiff has not contested that submission.

Also, there is no interchangeability of the AVC/H.264 standard with other common video coding standards - which the plaintiff also does not deny.

The foregoing also applies in particular to the technical function provided by the patent in suit. The patent in suit is essential for the use of the AVC/H.264 standard (cf. Section I).

2.

However, it cannot be established that the plaintiff abused its dominant market position by failing to comply with the requirements laid down in the ECJ ruling for the holder of an SEP for which a FRAND declaration exists.

a)

The European Court of Justice (ECJ) has imposed on the holder of a standard essential patent (hereinafter referred to as "SEP"), who has undertaken vis-à-vis a standardization organization to grant a license to any third party on fair, reasonable and non-discriminatory terms ("FRAND" = "fair, reasonable and non-discriminatory"), in the case K / C, docket no. C-170/13, with judgment of 16 July 2007 in the form of the order of correction of 15. December 2015 (GRUR 2015, 764) in interpretation of Art. 102 TFEU duties which, if the holder of a standard essential patent complied, result in a suit for injunctive relief or recall being regarded not as an abuse of its dominant market position (ECJ, GRUR 2015, 764, para. 55) (see lit. aa). The case at issue must also be assessed according to these stipulations (see lit. bb)

aa)

The ECJ judgement referred to results in a regime of duties/obligations to be followed by the patent proprietor and the patent user, the individual procedural steps of which build on one another, so that the infringer only has to react in the manner incumbent upon him if the patent proprietor has previously fulfilled the duties incumbent upon him (Higher Regional Court Düsseldorf, Urt. v. 30.03.2017, Az.: I-15 U 66/15 - Mobile communication system, cited after juris).

This regime provides that the patentee must inform the alleged infringed party "before filing the action" (or "before the judicial assertion"), stating the SEP in question and the nature of the infringement (ECJ, GRUR 2015, 764, recitals 62 and 71). If the alleged infringer has thereupon expressed his willingness to enter into a licence agreement under FRAND



conditions, the patentee must submit a concrete written licence offer under FRAND conditions (ECJ, *ibid.*, para. 71) in order not to expose himself to the allegation of abuse of his dominant market position. This must indicate in particular the licence fee and the way in which it has been calculated (*op.cit.*). It is then incumbent on the alleged infringer to respond to this offer with care, in accordance with business practices recognised in the field and in good faith (ECJ, *ibid.*, para. 65, 71). If the alleged infringer does not accept the offer, he may invoke the objection of abuse regarding an injunction or recall action only if he makes the holder of the SEP concerned a concrete counter-offer in writing within a short period, which complies with the FRAND conditions (ECJ, *ibid.*, marginal 66). Furthermore, from the time when his counteroffer is rejected, the patent user must provide adequate security in accordance with the business practices recognised in the relevant field (ECJ, *ibid.*, para. 67).

The antitrust restrictions established by the ECJ for the assertion of the injunction and recall claim also apply to the destruction claim (Higher Regional Court Düsseldorf, order of 13 January 2016, docket no. I-15 U 65/15, para. 16, cited after juris).

bb)

The ECJ case law described above also applies to the present case.

To the extent that the plaintiff is of the opinion that the present constellation of facts, according to which - which is still to be shown - a routine licensing practice already exists, precludes an application of the principles set out in the cited ECJ judgment, and that it is rather a recourse to the so-called "Orange Book Standard" jurisdiction, which imposes on the patent user the requirement of an offer to conclude a licensing agreement (BGH, GRUR 2009, 694, para. 29), the Chamber does not agree with this.

As can be inferred from the grounds of the judgment, the ECJ has seen the facts to be assessed by it characterised by the fact that "*on the one hand*" the plaintiff's patent is essential for a standard standardised by a standardisation organisation (ECJ, GRUR 2015, 764, para. 48) and "*on the other hand*" an irrevocable promise exists on the part of the holder to grant licences to third parties under FRAND conditions (ECJ, *ibid.*, para. 51). It is precisely with these aspects that the ECJ links the special catalogue of obligations drawn up for the patent proprietor:

"In such a constellation, in order for an action for injunction or recall not to be regarded as abusive, the SEP holder must fulfil conditions designed to ensure a fair balance between the interests concerned". (ECJ, *ibid.*, recital 55; emphasis on this point).

The (further) delimitation of the initial situation described in this way from cases in which an existing licensing practice exists, on the other hand, cannot be inferred from the ECJ ruling. It is true that paragraph 64 of the ECJ judgement states that



"[...]. Moreover, where neither a standard licence agreement nor licence agreements already concluded with other competitors have been published, the SEP holder is better placed than the alleged infringer to determine whether his offer complies with the conditions of equal treatment".

However, the ECJ did not want to create a further differentiation criterion in this way. The linguistic introduction with the word "moreover", which merely marks an additional argument for the view that the patentee must take the initiative in the direction of concluding a licence agreement, speaks against this. The systematic position of the passage in relation to the description of the obligations of the proprietor of the patent, which follows precisely from the particularities described above (paragraphs 48 and 51), also underlines that only an additional argument for those obligations is to be presented and not a new distinguishing criterion. Ultimately, the fact that the expectation raised by the patent holder that he would be prepared to conclude a licence agreement under FRAND conditions remains valid even in such a case (ECJ, *ibid.*, para. 54) also speaks against a departure from the established duty programme in the case of an existing licensing practice. This is even more encouraged by the already "lived" licensing practice. Similarly, in these cases the possibility of a lack of information regarding the use of the doctrine of a standard essential patent by the alleged infringer remains - a circumstance which led the ECJ to statute the obligation of the patentee to make an initial offer (ECJ, *ibid.*, para. 62). The mere fact that a standard license agreement has been published does not imply that the patent user is aware of the use of the standard essential patent(s). The search for a corresponding standard license agreement might rather require such knowledge as a rule.

In addition, the view that an established licensing agreement practice goes beyond the principles set out in the ECJ ruling also leads to practical problems in defining when such a constellation can be assumed to exist.

However, the previous remarks do not exclude the possibility of giving special importance to any existing licensing practice of the patent proprietor in the context of the examination of the duty programme to be provided by him, for example by attributing to it an indicative effect for the appropriateness of the contract terms offered (Higher Regional Court Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 203 – *Mobiles Kommunikationssystem*, cited according to juris; Regional Court Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, para. 226, cited according to juris; Kühnen, *ibid.*, Chapter E, para. 423).

b)

The e-mail dated 08 September 2011 (Annex K9 - Exhibit B) contains a sufficient notification of infringement.



Since the notice of infringement "must designate the SEP in question and indicate the manner in which it is alleged to have been infringed" (ECJ, *ibid.*, para. 61), at least the indication of the publication number of the patent in suit, the attacked embodiment and the accused act of use (within the meaning of Sections 9 et seq. of the German Patent Act (PatG)) to the infringer is required (Higher Regional Court Düsseldorf, Urt. v. 30.03.2017, ref.: I-15 U 66/15, marginal 172 - Mobile communication system, cited according to juris). However, the notice of infringement does not require detailed (technical and/or legal) explanations - the other part only needs to be put in a position - if necessary with expert assistance - to examine the allegation of infringement (Higher Regional Court Düsseldorf, *loc. cit.*; Kühnen, *ibid.*, chapter E., marginal no. 328; further Regional Court Mannheim, judgment of 29.01.2016 - 7 O 66/15 - marginal no. 57). The purpose of the infringement report is to give the user, who may still be in good faith with regard to the encroachment on the protected area, the opportunity to inquire about the granting of a usage permit promised to any interested party on the basis of the FRAND declaration (Kühnen, *loc. cit.*). However, the obligation to make a voluntary disclosure is not an end in itself. It is therefore dispensable where it presents itself as a useless formality because, on the basis of the overall circumstances, it can be assumed with certainty that the defendant infringing the patent has knowledge of the use of the patent by the challenged form of performance and that his reference to the fact that the plaintiff did not notify him of this appears as an abuse of rights (Kühnen, *ibid.*, Chapter E., para. 33). However, high demands must be made regarding the existence of such an offence (*loc. cit.*).

According to this provision, the letter of MPEG LA dated 08 September 2011 (Annex K9 - Exhibit B) proves to be a sufficient indication of infringement.

aa)

The fact that the letter in question was exchanged between MPEG LA and the parent company of the defendant is not detrimental.

(1)

If - on the part of the patent user - it is ensured that an infringement notification sent to the parent company is forwarded within the group to the respective subsidiaries concerned, no formal notification is required to all subsidiaries (Higher Regional Court Düsseldorf, *loc. cit.*, para. 175; Kühnen, *ibid.*, Chapter E, para. 329). In the absence of any indications to the contrary, group membership alone gives rise to the justified assumption that the subsidiaries concerned will be informed (Higher Regional Court Düsseldorf, *loc. cit.*).

In addition, the parties' prior correspondence in this case also justifies the confidence that information concerning licensing issues will be passed on within the defendant's group.

So the MPEG LA wrote in the e-mail of 08 September 2011 first to Mr. M:



"N has advised me to contact you as you are responsible for patent licensing issues at C."

In response to this request from MPEG LA, which was obviously looking for the contact responsible for IP matters at the C Group, the parent company's reply email of 15 September 2011 (Annex K9 - Exhibit B; German translation: Annex K9 - Exhibit B - a) from Mr. O:

"[...] I'd like to introduce myself. My name is O and [I] am an IPR manager at the C Group. I've just been assigned as your contact. As you mentioned below, my colleague Mr M will receive some documents from you via FedEx. Since this is an express delivery, I wanted to ask if it would be possible, if you have not yet sent the documents, to send them to me at the address indicated on the signature."

The parent company then fueled confidence that MPEG LA was in contact with the right person to negotiate a corporate license.

(2)

The letter written by MPEG LA can also be interpreted as an indication of infringement on the part of the plaintiff.

It is to be expected that MPEG LA may take legal action in connection with the granting of licenses to the AVC/H.264 patent pool.

The standard licence agreement for the pool at issue here (Annex K9 - Exhibit P - a) is concluded, after the entry pass,

"This Agreement was entered into on XXX 20XXX between MPEG LA, LLC, a limited liability company incorporated under the laws of the State of Delaware with its registered office in Denver, Colorado, USA (hereinafter referred to as "Licensee"), and XXX (hereinafter referred to as "Licensee").",

between MPEG LA and the respective licensee. For this purpose, sublicenses are granted to MPEG LA by the holders of the pool patents:

"Each Licensor grants to the Licensee a worldwide, non-exclusive license and/or sublicense to all patents essential to AVC that may be licensed or sublicensed by the Licensor to enable the Licensee to grant to the Licensee worldwide, non-exclusive sublicenses to all such patents essential to AVC under the terms of this Agreement. (Standard licence agreement, Annex K9 - Exhibit P - a, p. 2, last paragraph).

Point 3.1 of the standard licence agreement (Annex K9 - Exhibit G - a; emphasis on this point) also states that:



"For the licenses granted under Article 2 of this Agreement under the AVC Essential Patents in the AVC Patent Portfolio, the Licensee shall pay to the Licensee the following fees to the benefit of the licensors for the term of this Agreement:".

This content of the contract does not directly regulate the contractual relationship between MPEG LA and the respective pool patent holders - the subject matter of the contract is rather the contractual relationship between MPEG LA and the respective licensee - but it gives an indication of the possibilities for action of MPEG LA in connection with the licensing of the standard at issue here.

After presenting the standard license agreements, the defendant also did not deny that MPEG LA had concluded them, i.e. that the model referred to in the standard license agreement is lived.

Furthermore, the defendant's procedural conduct, according to which it "considers it questionable" that the plaintiff can transfer its antitrust obligations to MPEG LA and that MPEG LA can assume these obligations for the plaintiff, is (procedurally) also irrelevant because its parent company itself became the pool patent holder in September 2012, thus being aware of the possibilities for action of MPEG LA within the scope of licensing the standard at issue here, in particular the granting of a right to sublicense to MPEG LA by the pool patent holders.

bb)

With regard to the substantive requirements for a notice of infringement, the defendant is entitled to have the letter of MPEG LA dated 08 September 2011 (Annex K9 - Exhibit B/ Exhibit B - a) contain only general information on the infringing product - referred to there as "mobile handset and tablet products" - and on the infringed property right(s) - in the form of a reference to "the AVC patent portfolio" with "more than 1000 essential AVC patents of 25 patent holders". It does not mention the publication number of concrete patents from the extensive pool or the concrete designation of alleged infringing products.

However, this content is exceptionally sufficient against the background of the preliminary correspondence between the defendant's parent company and MPEG LA as well as the parent company's conduct after the notice of infringement.

The defendant does not deny that the parent company was aware of the pool patents and that the standard license agreement had already been concluded with a large number of market participants. This is also obvious because the MPEG LA website provides information both on the pool composition (in particular in the form of the list of patent holders and associated patents, Annex K9 - Exhibit E/ Exhibit E - a, and in the form of the Cross Reference Chart, Annex K9 - Exhibit G) and on the licensees (Annex K9 - Exhibit H/ Exhibit H - a).



The defendant claims that the parent company was nevertheless unable to conclude that the mobile telephones and tablets attacked would make use of the doctrine of the plaintiff's patent. However, the contrary assumption is supported by the fact that the legal department of the C Group and MPEG LA had already been in contact since 2006 with regard to the standard license agreement, in the course of which the same agreement was brought to the attention of the Group several times. A corresponding knowledge on the part of the parent company is further suggested by the fact that approximately one year after the e-mail of 8 September 2011 in question here, the parent company itself acquired patents stored in the pool, which requires a certain amount of market observation even before this purchase decision is made. Finally, a further indication results from the fact that the parent company did not requested further information to determine the infringement question within the framework of the licence agreement negotiations that followed in the years 2013 - 2017.

In the light of the foregoing, it can be assumed from an overall view that the parent company was aware of the AVC/H.264 patent pool as such and of the need to license AVC-enabled products to mobile and tablet operators.

c)

The parent company has also sufficiently indicated its willingness to license.

The parent company of the defendant responded by e-mail of 15 September 2011 in the person of Mr O (Annex K9 - Exhibit B/Exhibit B - a) to the message of the MPEG LA of 08 September 2011 by requesting that the contract documents be sent to itself as the responsible person.

This may not reflect concrete references to a possible contract, but the communication - which is sufficient - does reflect the parent company's will to address licensing issues relating to the AVC/H.264 standard.

The fact that the MPEG LA also understood the reaction in the sense outlined becomes clear in the following correspondence, in which the negotiating parties - after receiving the contract documents - tried to find a date for a meeting (cf. e-mail of Mr. O dated 26 September 2011 and e-mail of Mr. P (MPEG LA) dated 17 September 2011, both Annex K9 - Exhibit B/ Exhibit B - a).

The party submissions do not reveal whether and how the negotiations continued in 2012. However, this does not imply that the parent company is not prepared to dissociate itself from the basic willingness to license. Among other things, there is communication between the parent company and MPEG LA from the years 2013 and 2016 (in particular letter of MPEG LA dated 07.01.2013, Annex K9 - Exhibit C; German translation: Annex K9 - Exhibit C - a; e-mail traffic, Annex Volume B8; German translation: Annex Volume B8a),



in which the license negotiations - now taking into account the fact that the parent company itself had become a member of the pool - were continued.

d)

By sending the standard license agreement to the parent company in February 2012, a FRAND-compliant offer attributable to the plaintiff was submitted, which both meets the (rather) "formal" requirements established by the ECJ (see lit. aa)) and proves to be fair, reasonable and non-discriminatory in terms of content (see lit. bb)).

aa)

MPEG LA's offer in the form of the standard license agreement sent at the end of September 2011 meets the (rather) "formal" requirements that the ECJ places on the patent holder's offer.

The offer must then be made in writing and must also be concrete in the sense that it specifies the licence fee and the relevant calculation parameters (relevant reference value, applicable licence rate, staggered rate if applicable) as well as the method of calculation (Higher Regional Court Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 203 – Mobiles Kommunikationssystem, cited according to juris; Kühnen, *ibid.*, Chapter E. para. 325). The points which are usually the subject of licensing agreements must be included in the offer in the form of meaningful provisions (Higher Regional Court Düsseldorf, *loc.cit.*).

These criteria are fulfilled with the delivery of the standard license agreement document.

(1)

In terms of its objective explanatory value, the sending of the standard license agreement is a sufficiently concrete offer. The content of the contract recognisable from this is in particular also suitable to legitimise the acts of use of the C Group.

(a)

By sending the standard licence agreement and the information contained in the e-mail of 08 September 2011 (Annex K9 - Exhibit B/ Exhibit B - a), the parent company was able to recognise that MPEG LA was seeking to conclude a licence (under the terms of the standard licence agreement).

This is stated in the e-mail of 08 September 2011 (Annex K9 - Exhibit B - a):

"Today I am sending you copies of our MPEG-4 Visual License, AVC License and VC-1 License for review. [...] Enclosed I also send you a .pdf-version of all licenses for easier



viewing. Please note that the electronic copies are for information purposes only and cannot be used for signature".

Conversely, it follows from the information, limited solely to the digital version of the contract, that the documents thus received cannot serve as the relevant contractual document that the documents sent by post could very well fulfil that function. The intention of MPEG LA to conclude the contract was therefore openly stated in the mailing of the same.

The offer character of the sending of the standard license agreement is not missing because MPEG LA had already sent contract documents for the disputed standard to the parent company. As the sending of the contract documents in September 2011 was preceded by the e-mail of 08 September 2011 (Annex K9 - Exhibit B/ Exhibit B - a), the parent company was able to recognise - as stated under b) - that MPEG LA was interested in initiating concrete contract negotiations on the standard at issue.

Finally, the standard contract also indicates the parameters required for the licence calculation, whereby the calculation factors for the unit licence are derived in particular from Clause 3.1.1.

(b)

It is also harmless that the standard license agreement was not addressed to the defendant but to the person in charge of the license negotiations in the defendant's group ("O"). The conclusion of a group license was in question (cf. Kühnen, *ibid.*, Chapter E., recital 320) and Mr. O expressly asked for the documents to be sent to him by e-mail dated 15 September 2011.

(c)

Finally, the assumption that an offer in the form of the standard licence agreement send to the parent company, which also covers the defendant, is not precluded neither by the fact that by this licensing of the subsidiaries was not directly achieved, nor that according to Section 2.1 of the standard licence agreement a licensing of distribution activities takes place vis-à-vis end customers, but not vis-à-vis wholesalers and retailers - as practised by the defendant.

As already explained, it is in principle - also in this case - in accordance with a FRAND procedure that the patent proprietor prepares possible licence negotiations by sending a notice of infringement to the parent company of a group of companies (cf. in this regard under lit. b), aa), (1)) and conducting the subsequent contract negotiations with this company (cf. in this regard lit. (b)). It follows from this that, in principle, this communication between the patent proprietor and the parent company must also be



taken into account for the assessment of the prospects of success of a later antitrust compulsory license objection.

Something else may apply if - which is not to be decided here - it is already expressed either in the preparatory acts for the contract negotiations or within the framework of the contract negotiations themselves that subsidiaries affiliated to the group cannot be covered by the contract offer submitted to the parent company from the outset.

That's not the case here, though.

The contractual offer submitted to the parent company does not exclude the possibility of licensing the subsidiaries from the outset. MPEG LA has - which is undisputed between the parties - rather expressed the need for licensing of all group companies, although the concrete form of a license covering all group companies would be clarified during the contract negotiations.

The licensing of the subsidiaries, too, is already expressed in the standard document sent to the parent company in Section 2.9, which declares the general willingness of the subsidiaries to also conclude licenses. In practice, the licensing of group-affiliated companies is implemented through various variants. First, there is the possibility that the top management will guarantee that the parent company will take a license covering the entire group - as in the case of the Q group, for example. If other group companies only act as distribution companies of the parent company ("distribution chain"), a licensing by the parent company alone is sufficient to legitimise the distribution of the subsidiaries via the exhaustion principle. Furthermore, licenses can be granted to all subsidiaries by means of a separate affiliate agreement, or each company concludes its own license agreement - as is the case with the "R Group". The fact that the course of the contract negotiations - offer to the parent company with subsequent negotiation of further contract details - took place in the manner described can be found for example in the e-mail of the P (MPEG LA) of 29 April 2016 (annex B8/ annex B8a), in which it says among other things:

"As discussed, our licenses cover the legal entity that offers the final products on the market. Therefore, C would complete the licenses to cover all of C's products that contain the applicable technologies."

On the basis of the foregoing, it also follows that the fact that the standard licence agreement does not cover acts of distribution to wholesalers and retailers, as undertaken by the defendant, does not preclude a suitable offer.

Irrespective of the fact that the defendant - as the screenshot presented as Annex K6 shows - in any event also acts as an offeror to end customers, it is now undisputed between the parties following the presentation of the standard licence agreements already concluded that distribution activities to wholesale and retail customers are also



legitimised at least via the principle of exhaustion. The fact that this was not apparent to the parent company at the time the offer was made is harmless.

In this context, it is also important to note that the usual starting point for contract negotiations in this business field is communication with the parent company, which use is undisputedly covered by the standard license agreement. The question of the inclusion of the acts of use of the subsidiaries is then the subject of contractual negotiations following the offer made to the parent company. In this context, the question of licensing distribution activities to commercial customers would also have had to be discussed with the result already presented here. In the present case, however, the parent company did not include this aspect in the contract negotiations, which would have been expected if it had identified an obstacle to the conclusion of the licence agreement. This is all the more true as only she - unlike the responsible MPEG LA - knew in detail the group structures that were considerable for the conclusion of the license agreement.

(2)

As a result, the way in which the licence fee is calculated is also sufficiently explained, although neither the contractual document nor the documents sent in connection with it explicitly refer to it.

As information on the "method of calculation", the ECJ does not only require information on the amount of the licence fee and its calculation. Rather, the SEP holder must explain to the infringer in a concrete and comprehensible manner why the proposed licence fees are FRAND (Higher Regional Court Düsseldorf, *ibid.*, para. 203; Kühnen, *ibid.*, Chapter E., para. 309). The method of license fee calculation does not require strict mathematical derivation. If this is possible in a specific case, it is sufficient to demonstrate the acceptance of the required (standard) license rates on the market by way of license agreements already concluded (Regional Court Düsseldorf, decision of 13 July 2017, docket no. 4a O 154/15, para. 311, cited according to juris). However, the patentee then has to justify (more or less substantiated depending on the circumstances of the individual case), in particular, why the royalty envisaged by him is FRAND precisely against this background (Higher Regional Court Düsseldorf, *ibid.*, para. 203; Regional Court Düsseldorf, *ibid.*, para. 310; Kühnen, *ibid.*, para. 326). If there is a sufficient number of licence agreements and acceptance on the market can be demonstrated in this way (e.g. market share of products licensed at a certain fee level), no further information on the appropriateness of the licence fee level will normally be required (Regional Court Düsseldorf, *ibid.*, para. 311). However, the SEP holder must, in principle, present a report on all major license agreements - otherwise there is a risk that only those agreements will be presented that support the required level of license fees (Regional Court Düsseldorf, *ibid.*, para. 313).

In accordance with the above, the manner of calculation in connection with the offer in question has been sufficiently explained.



The standard license agreement, which was received by the parent company in September 2011, does not itself contain any information on the method of calculation in the sense set out above. In this respect, however, the parent company's knowledge that the contractual document is a standard license agreement which has already been concluded by a large number of licensees can be used as a basis.

In this respect, reference can essentially be made to the explanations under b), bb) above. In addition, the e-mail of 08 September 2011 (Annex K9 - Exhibit B - a) also contains a reference to the fact that the conclusion of the standard licence agreement is customary when it says:

"Normally, C would have to negotiate individual licenses directly with each individual patent holder, but our patent portfolio licenses allow license protection through a single transaction."

The submission of the individual concluded licence agreements themselves, on the other hand, is not to be demanded within the framework of the offer. It is neither stated nor apparent that this is customary in the industry.

Without prejudice to the foregoing, it must in any event be assumed that, by September 2012 at the latest, when the parent company itself obtained the status of pool patent holder, it had sufficient knowledge of the manner in which the royalties were calculated.

bb)

The offer under review here also complies with FRAND principles in terms of content.

(1)

Fair and reasonable" contractual terms are those which are not offered to the licensee as an abuse of a dominant position. The contractual conditions must be reasonable and may not be exploitative (Higher Regional Court Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 15, quoted according to juris). An offer by the licensor may, in particular, prove unfair/inappropriate if a licence fee is charged which significantly exceeds the hypothetical price which would have been formed in the case of effective competition on the dominant market, unless there is an economic justification for the price formation (Regional Court Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, para. 225, cited according to juris; Huttenlauch/ Lübbig, in: Loewenheim/ Meessen/ Riesenkampff/ Kerstin/ Meyer-Lindemann, Kartellrecht, Commentary, 3. Ed., 2016, Art. 102 TFEU, para. 182; Kühnen, *ibid.*, Kap. E., para. 245). In the case of a standard property right, the inappropriateness may also result from the fact that, in the event of a licence claim, a cumulative total licence charge would also arise for the other standard property rights which is not economically viable (Kühnen, *ibid.*, Chapter E., para. 246). In this context, it should be noted that a mathematically exact derivation of a FRAND-compliant licence fee



does not have to be made, but rather an approximate decision based on valuations and estimates has to be made (Kühnen, *ibid.*, Chapter E., para. 425). Comparable licence agreements can be an important indication of the appropriateness of the licence conditions offered (Regional Court Düsseldorf, *loc. cit.*; Kühnen, *ibid.*, Cap. E., para. 245, para. 430). The contractual offer must also prove to be appropriate with regard to the other contractual conditions (intellectual property rights subject to licence, licence area, etc.).

The prohibition of discrimination establishes an obligation of equal treatment for the dominant company by requiring it to grant the same prices and conditions to trading partners who are in the same position (Higher Regional Court Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 208 – *Mobiles Kommunikationssystem*, cited according to *juris*). Only comparable facts are to be included in the principle of equal treatment, while market-dominating companies can also react differently to different market conditions (*loc. cit.*). A difference of treatment is therefore permissible if it is objectively justified (*loc. cit.*). The broad scope for objective justification to which the holder of an intellectual property right is generally entitled is limited if, in addition to the dominant market position, other circumstances arise from which it results that the unequal treatment endangers the freedom of competition (Higher Regional Court Düsseldorf, *ibid.*, para. 209). These may in particular consist in the fact that access to a downstream product market depends on compliance with the patent doctrine (Federal Court of Justice, GRUR 2004, 966 (968) – *Standard-Spundfass*) or that the product - as here - is only competitive when the patent is used (Higher Regional Court Düsseldorf, *loc. cit.*).

The licence seeker is obliged to provide evidence and evidence for unequal treatment (Higher Regional Court Düsseldorf, *ibid.*, para. 212) or the existence of an exploitation offence (Regional Court Düsseldorf, decision of 30 November 2006, docket no. 4b O 58/05, para. 140 – *Videosignal-Codierung I*, cited according to *juris*; Kühnen, *ibid.*, Chapter E, para. 247, para. 308). However, account must be taken of the fact that the licence seeker regularly has no detailed knowledge of the SEP holder's licensing practice, in particular of existing licence agreements with third parties and their regulatory content. This justifies the imposition of a secondary burden of presentation on the SEP holder, who is naturally aware of the contractual relationships with other licensees and who can reasonably be expected to provide further information in this regard (Higher Regional Court Düsseldorf, *ibid.*, para. 212; Kühnen, *ibid.*, para. E., para. 311). The information on licensees must be complete in this context and must not be reduced to a few well-known companies in the sector (Kühnen, *op. cit.*). The lecture must also contain information on which - concretely to be named - companies with which significance on the relevant market have taken a license and under what concrete conditions (Higher Regional Court Düsseldorf, *loc. cit.*). If unequal treatment has been determined, it is incumbent on the patent proprietor to explain any circumstances justifying the different treatment and, if necessary, to prove them (Higher Regional Court Düsseldorf, *loc. cit.*; Kühnen, *loc. cit.*).



(2)

The defendant's objections to the FRAND compliance, based on the standard set out in point (1) above, do not prevail.

(a)

The fact that MPEG LA aims to license all group companies in accordance with the standard license agreement does not prove to be abusive either from the point of view of appropriateness or in consideration of the prohibition of discrimination.

Group-wide licence agreements are customary in the electronics and mobile communications sectors (Kühnen, *ibid.*, section E, para. 411). In this respect, the large number of already concluded standard license agreements, which the defendant did not contest, also have a considerable indicative effect in this case for the industry customary nature of a group-wide license.

It is also undisputed that the parent company manufactures the attacked embodiments and that these are marketed worldwide by subsidiaries, so that the pool patent holders also have a special interest in the granting of a group-wide licence against this background. This is the only way to avoid a mixture of licensed and unlicensed products within a group, which would otherwise lead to effective law enforcement no longer being possible in the absence of separability of the rightfully marketed products from the infringing products.

The defendant has not put forward any other circumstances from which it could be inferred that the plaintiff/MPEG LA acted in an exploitative or discriminatory manner.

(b)

Also, the fact that the standard licence agreement provides for a pool licence does not preclude the FRAND compliance of the offer.

Due to the reference list (Annex K9 - Exhibit G), use of the pool patents is also sufficiently explained (cf. with regard to portfolio licenses: Higher Regional Court Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 26 et seq.; Kühnen, *ibid.*, Kap. E., para. 420).

Offering a license in a patent pool does not in itself constitute grounds for accusations of abusive inappropriateness. It regularly serves the well-understood interest of potential license seekers that they are offered a one-stop user license for the entire standard at uniform conditions, because they are thus relieved of the necessity of having to apply for a license for their patents from each individual property right holder (Regional Court Düsseldorf, 4b O 508/05, para. 119 - Videosignal-Codierung I, cited after juris). In this respect, the "Guidelines on the Application of Art. 101 of the Treaty on the Functioning of



the European Union to Technology Transfer Agreements" of 28 March 2014 (Official Journal C 89/3) (hereinafter referred to as "the Guidelines") also provide guidance (cf. Kühnen, *ibid.*, Chapter E, para. 299). As regards the application of the prohibition of cartels under Article 101 TFEU, they provide in paragraph 245 for the following:

"Technology pools can have pro-competitive effects by reducing transaction costs and limiting the accumulation of royalties, thus avoiding double profit maximisation. They enable central licensing of the technologies held by the pool. This is particularly important in industries where intellectual property rights are of central importance and where market presence requires licensing from a significant number of licensors. [...]"

A restrictive effect on competition can only be presumed if further circumstances arise, which is also reflected in paragraph 246 of the Guidelines:

"Technology pools may also restrict competition since their creation necessarily implies joint sales of the combined technologies, which may lead to a price fixing cartel in pools consisting exclusively or predominantly of substitutable technologies. Moreover, technology pools may not only reduce competition between the parties, in particular when they support or de facto establish an industry standard, but may also reduce competition in innovation by foreclosing alternative technologies. An existing standard and a corresponding technology pool can hamper market access for new and improved technologies."

The defendant has not substantiated particular circumstances which make the offer of the pool licence appear restrictive of competition in the sense described above. On the contrary, after the standard licence agreements already concluded had been submitted, it no longer objected to the fact that the granting of licences to the entire pool - and not limited to the portfolio of individual pool patent holders - was in line with industry practice.

e)

The defendant has not made a counteroffer in accordance with FRAND.

The standard license agreement signed by the defendant in the summer of 2018 is to be regarded as a counteroffer (see aa)). However, this contradicts FRAND principles (see bb)), which is why the question of whether it has still been submitted in good time is also irrelevant.

aa)

The standard license agreements signed by the defendant and transmitted to MPEG LA in the defendant's letter of 13 September 2018 are to be considered as a counteroffer. This does not constitute the acceptance of an offer made by MPEG LA to conclude a standard license agreement. The mere availability of the standard license agreement via the MPEG



LA website does not constitute an offer. Rather, making the contract document available for inspection by interested parties serves as information about the license terms. The standard license agreement, which can be understood as an offer, was sent solely to the parent company of the defendant (cf. lit. d), aa), (1)).

bb)

The counteroffer of the defendant, as set out in lit. aa) above, does not prove to be in conformity with FRAND.

The fact that the standard license agreement is concluded solely between MPEG LA and the defendant and not also with the latter's parent company or with the other companies affiliated to the group precludes a FRAND moderation of the offer.

In principle - against the background that a group-related licence is customary in the industry (cf. lit. d), bb), (2), (a)) - it is acceptable that the pool patent holders are only prepared to grant a licence covering the entire group. This is especially true when the prohibition of discrimination is observed, because the conclusion of an AVC/H.264 pool license corresponds to the license model practiced with the previous licensees.

In the present case, even from the point of view of appropriateness, nothing else applies because the defendant - in contrast to its parent company - is prepared to license and it cannot influence the parent company to conclude the standard license agreement.

It is true that the defendant's objection that it could no longer do anything to behave in accordance with FRAND and to maintain the compulsory license objection under antitrust law is, in principle, considerable. This is because affiliated companies are also legally independent persons, so that it is not possible to attribute the conduct of one person to the other without the existence of special circumstances. However, the constellation at issue here is characterised by the fact that the defendant is a wholly-owned subsidiary of the parent company. The latter therefore determines the conduct of the defendant. In this way, the latter can ensure that licences are synchronised in the sense of the industry custom by agreeing to take licences. Therefore, it cannot be established that the defendant - against the background of the parent company's refusal to accept MPEG LA's FRAND-compliant offer - is being treated inappropriately. Rather, it is the case that the parent company, for its part, enforces licensing relating to individual companies by merely agreeing - via the defendant subsidiary - to license individual subsidiaries. The situation in this case is further characterised by the fact that the parent company, as a temporary pool member, had a particular reason for taking a licence in order not to behave in a manner contrary to its own loyalty to the pool.



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f)

In view of the fact that there is already no counteroffer from the defendant in accordance with FRAND, it is irrelevant whether sufficient security has been provided.

[..]

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