



Regional Court Düsseldorf

4a O 17/17

Decision of 09 November 2018

[...]

Grounds

[...]

The defendant cannot successfully invoke the antitrust compulsory license objection.

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

1.

The plaintiff holds a dominant 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 (temporal, geographical and objective relevant) market and to behave to a significant extent independently of its competitors, customers and consumers (ECJ Slg. 78, 207 para. 65 et seq. - United Brands; ECJ ECR 79, 461 para. 38 et seq. - Hoffmann-La Roche). The necessary exact definition of the market in objective and geographic terms is carried out by means 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. To the same product market is allocated what cannot be substituted by other products or services from the point of view of the customer 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



(OLG) Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 148 - Mobile communication system, juris).

In connection with the prohibition rights from a patent asserted here, the distinction described is to be made in relation to the licensing market (OLG Düsseldorf, *ibid.*, para. 149; Kühnen, *ibid.*, chap. E., para. 217): The supplier is the patentee, 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 patentee 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; BGH, NJW-RR 2010, 392 et seq. - travel agency card). Such a downstream product market exists for goods/services licensed under the patent.

Not every standard essential patent as such establishes market dominance (OLG 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 (OLG Düsseldorf, *ibid.*; 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 (OLG Düsseldorf, *ibid.*; Kühnen, *ibid.*). 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, *ibid.*).

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

The defendant bears the burden of presentation and proof for market dominance in accordance with the general principles (OLG 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, *ibid.*).



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. On the downstream market relevant here, almost all marketable mobile terminals are equipped with the alleged AVC standard, so that the degree of market penetration of the standard at the level of the downstream product market is almost 100 %.

The defendant further substantiated that submission, which the plaintiff did not contest, on the basis of random market analyses. From the samples submitted (plant volume B42) it appears that, in any event, companies known to the Court of First Instance as important market players (Samsung, Apple, Sony, LG, HTC, ZTE, OnePlus, BQ) advertise and distribute their devices as AVC/H.264-compatible.

The AVC standard is also not interchangeable with other common video coding standards (AVI, DivX, Flash Video, WMV). Since the video format used is determined by the content provider, not the manufacturer of the terminal, the manufacturers equip their devices with the possibility of supporting various standards, including the AVC/H.264 standard at issue here.

The foregoing also applies to the technical function provided by the patent in suit. In its application, the plaintiff itself claims that the patent is essential for the use of the AVC/H.264 standard - (see para. I).

2.

On the other hand, it cannot be established that the plaintiff abused its dominant 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 has ordered 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 Case C-170/13 D/ K, Case C-170/13, with decision of 16 July 2007, in the version of the correcting resolution of 15. December 2015 (GRUR 2015, 764), in interpreting Art. 102 TFEU, to comply



with certain duties, which – if complied with - result in an action for failure to act or recall brought by him not being regarded as an abuse of its dominant market position (ECJ, GRUR 2015, 764, para. 55) (see lit. aa)). The case at issue here must also be assessed in the light of this (see bb)).

aa)

The ECJ decision referred to results in a regime of duties/obligations to be followed by the patentee and the patent user, the individual procedural steps which build on one another, so that the infringer only has to react in the manner demanded of him if the patentee has previously fulfilled the duties demanded of him (OLG Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15 - Mobile communication system, juris).

This regime provides that the patentee must inform the alleged infringing 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, para. 62 and 71). If the alleged infringer has thereupon expressed his willingness to enter into a license agreement under FRAND conditions, the patentee must submit a concrete written license 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 license fee and the way in which it has been calculated (*ibid.*). It is then demanded of 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 only invoke the objection of abusive assertion of an injunction or recall action if he makes the holder of the SEP concerned a concrete counteroffer in writing within a short period, which complies with the FRAND conditions (ECJ, *ibid.*, para. 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 (OLG Düsseldorf, order of 13 January 2016, docket no. I-15 U 65/15, para. 16, 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" case law, 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 licenses 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 patentee 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.*, para. 55; emphasis on this point).

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

„[...] Moreover, where neither a standard license agreement nor license 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." (emphasis added).

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 license agreement, speaks against this. The systematic position of the passage in relation to the description of the obligations of the patentee, 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 license 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.

On the other hand, the foregoing remarks do not exclude the possibility that any existing licensing practice of the patente in the context of the examination of the programme of obligations to be provided by him may be accorded special importance - to which reference is made below under (d) in detail and with specific reference to the case at issue here.

b)

The e-mail dated 06 September 2011 (Annex K10 - Exhibit A - a) constitutes 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 challenged form of execution and the accused act of use (within the meaning of Sec. 9 et seq. of the German Patent Act (PatG)) to the infringer is required (OLG Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 172 – *Mobiles Kommunikationssystem*, *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 (OLG Düsseldorf, *ibid.*; Kühnen, *ibid.*, chapter E., para. 328; further Regional Court (LG) Mannheim, decision of 29 January 2016 - 7 O 66/15 - para. 57). The purpose of the infringement report is to give the user, who may still be in good faith with regard to the interference on the protected scope, the opportunity to inquire about the granting of a license promised to any interested party on the basis of the FRAND declaration (Kühnen, *ibid.*). 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 attacked embodiment 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 on the existence of such an offence (*ibid.*).

According to this, the letter of MPEG LA dated 06 September 2011 (Annex K10 - Exhibit A - a) proves to be a sufficient notice of infringement.

aa)

First of all, it is harmless that the letter in question was exchanged between MPEG LA and Mr G, called 'H'.

(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 (OLG Düsseldorf, *ibid.*, 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 (OLG Düsseldorf, *ibid.*).

In addition, the parties' prior correspondence in this case also justifies the assumption that information concerning licensing issues will be passed on within the defendant's group. For example, the upstream licensing discussions on the MPEG-2 standard were already regularly conducted via "H", which is an employee of subsidiary E, but who appeared for the E group and gave the impression that the licensing issues relating to the group were converging with it. This is what it says in an e-mail from "H" dated 10.11.2009 (Annex B10; German translation: Annex B10a):

"[...], but it took me some time to talk to the relevant regional offices and headquarters and to gather their opinions in order to identify suitable subsidiaries [...]. [...]."

In my conversations with the regional sales departments, [...].",

and in another e-mail dated 09 December 2009 (Annex B16; German translation: Annex B16a):

"[...] although I have managed to persuade Es other regional offices outside China to acquire licenses, Es Chinese office is simply not willing to enter into a licensing agreement at this point."



In accordance with this previous negotiation practice, the MPEG LA letter in question here, dated 06 September 2011, was also addressed to "H". It says:

"N has suggested that I contact you because you are responsible for patent licensing matters at E."

In the subsequent reply e-mail of 15 September 2011 (Annex B21/ Annex B21a), this passage is not attacked by "H", but rather explained:

"Do you have time for a phone call next Wednesday or Thursday so we can discuss this matter further?"

(2)

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

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

The standard license agreement for the pool at issue here (Annex K10 - Exhibit G - a) is concluded after the first passage,

"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 license agreement, Annex K10 - Exhibit G - a, p. 2, last paragraph).

Point 3.1 of the standard license agreement (Annex K10 - 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.

In addition, MPEG LA has actually concluded a large number of standard license agreements, which means that the model described in the standard license agreement is also lived. This is shown, inter alia, by the (completed) standard license agreements submitted with Annexes K26 and K27, for example, the agreements with 'AHT Holding BV' (Annex B64 to Annex K26 or Annex K34 to Annex K27), 'T German Television' (Annex B65 to Annex K26) and 'Sony Computer Entertainment Inc'.

The parent company of the defendant itself was also in contact with MPEG LA for negotiation purposes for several years - the negotiations can be traced back to the year 2009 on the basis of the documents submitted. For example, the defendant itself claims that 'E sought contact with representatives of the MPEG LA patent pool'. In this respect, there is also an e-mail confirming this from Mr M (E) dated 13 February 2009 (Annex B4; German translation: Annex B4a). Even though the initial purpose of this contact was to license the MPEG-2 standard, the defendant's assumption is that MPEG LA is legally able to license the MPEG standard. In the reply mail of MPEG LA of 16 February 2009 (Annex B5; German translation: Annex B5a), MPEG LA also indicated that the possibility of licensing also covers the MPEG-4 standard:

"As you may know, MPEG LA offers several patent portfolio licenses that provide coverage of patents that are essential for the use of various video compression standards, including MPEG-2, MPEG-4 Visual (Part Two), and AVC/H.264 (MPEG-4 Part Ten).

Subsequently, the defendant's parent company (or E) continued to negotiate with MPEG LA. In this respect, reference is made in particular to the e-mail correspondence of the year 2009, which is expressed in Annexes B4 - B8, Annexes B9 and Annexes B10 - B16 (the German translations of the Annexes are each marked with the letter "a").

In view of the above facts, according to which MPEG has frequently appeared in connection with the licensing of the standard at issue, it would also turn out to be contrary to good faith if any patent holders were to invoke MPEG LA's inability to act in relation to



licensees. In accordance with licensing practice, the plaintiff, as pool patent holder in the present proceedings, also relies precisely on the authority to act of MPEG LA.

Irrespective of this, it can also be assumed that the defendant was basically aware of the use of a license administrator in the industry and the role of MPEG LA as such, which makes their denial of the MPEG LA's ability to act with ignorance appear questionable at any rate.

In particular, e-mail correspondence between the parties indicates that the defendant's group was considering cooperating with MPEG LA with a view to an "LTE patent pool":

"We hope that E will decide to file an LTE patent for evaluation soon so that she can attend the first funding meeting that we are likely to hold in September.

[...]

MPEG LA would very much like to work with E to create an LTE patent pool [...].

[...]

With regard to our current patent pool licenses for MPEG 2, AVC, MPEG4 Visual and other technologies, I would like to introduce our Vice President of Licensing, N, who is set in this email cc. I know that N and his team will be happy to answer any questions you may have about licenses that may be beneficial to Es future products. (E-Mail O of 01 July 2009, annex B9; German translation: annex B9a)"

and:

"When we formed our opinion on the LTE patent pool, an important issue in our discussions with other LTE patent holders was who to choose as the patent pool administrator. Now we are thinking about adopting the MPEG LA certification procedure for essential patents." (E-Mail P from 01 July 2009, annex B9/B9a).

The cooperation between MPEG LA and the defendant's group is also described by "H" as "long-standing" in an e-mail dated 19 November 2009 (Annex B14; German translation: Annex B14a).

bb)

With regard to the content requirements for a notice of infringement, the defendant is right that the MPEG LA letter dated 6 September 2011 (Annex K10 - Exhibit A - a) contains 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 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.

In this respect, it should first be taken into account that the parent company (or initially E) and MPEG LA were already in contact in 2009 with regard to the licensing of the MPEG2 standard. In this context, MPEG LA already announced that not only the MPEG-2 standard (requested by E), but also the AVC/H.264 standard (MPEG-4 part ten) is known with regard to video compression, which is why this standard is also relevant in view of the products distributed by E (e-mail of 16 February 2009, Annex B5/B5a). In this context, the defendant's group also received knowledge of the AVC/H.264 standard license (see reply e-mail of Mr. Mvom 26 February 2009, Annex B6/B6a), to which a patent list was attached. In an e-mail dated 18 March 2009 (Annex B7/B7a), "H", who was entrusted with the license negotiations on the part of the defendant's group, contacted "H" and referred to the MPEG-4 standard at least in his reply,

"We are of the opinion that the same applies to MPEG4 licensees such as "Haier America LLC" of the Haier Group.

In our understanding, Futurewei (E) MPEG LA may sign license agreements (MPEG 2, MPEG 4, etc.) [...].",

although no concrete will to negotiate this standard (in addition to the MPEG-2 standard) can (yet) be discerned. The licensing of the MPEG4 standard in the communication with the parent company was also announced in the subsequent period:

"In addition, I have recently received feedback from E that although they have not sold any MPEG2, MPEG4 products in the US, they believe that the acquisition of relevant patent licenses will help develop the US market. As H Zhou said at our meeting in Tokyo, "E wishes to acquire an MPEG2, MPEG4 license from MPEG LA, [...]" (E-Mail Pvom 01 July 2009, Annex B8/B8a),

"With regard to our current patent pool licenses for MPEG 2, AVC, MPEG4 Visual and other technologies, I would like to introduce you to our Vice President of Licensing, Nc, who is set in this email cc. I know that N and his team will be happy to answer any questions you



may have about licenses, which may be beneficial to E's future products." (E-mail Ovom 01 July 2009, Annex B9/B9a),

"For your information, our MPEG2 system patent portfolio licenses include the use of the MPEG2 system standard for products without MPEG2 video encoders or decoders. Our AVC patent portfolio license includes the use of the AVC standard (also known as H.264 or MPEG-4 Part 10). In this context, we understand that E offers handsets with T-DMB functions under the E brand. Since the T-DMB standard uses both MPEG-2 systems and AVC standards, products with T-DMB features would benefit if they were covered by both our MPEG-2 system license and AVC license.

[..].

I am sending you a package (via FedEx) today for review, which contains a current copy of the new MPEG-2 license along with copies of the MPEG" system license and the AVC license. [..]. In the meantime, if you have any questions or need additional information, please let me know." (E-Mail Nvom 12 September 2009, Annex B11/B11a),

and

"As for the MEPEG-2 system license and AVC license, I will review them and contact you if I need more information." (E-mail "H" of 13 November 2009, Annex B12/B12a).

Against the background of this correspondence it was to be assumed that the defendant did not need any further information apart from the information contained in the letter dated 06 September 2011 (Annex K10 - Exhibit A - a) in order to make a decision with regard to its fundamental willingness to license.

With the letter referred to, MPEG LA made it clear that - in contrast to the negotiations on the MPEG-2 standard - it was now also seeking targeted discussions on the licensing of the AVC/H.264 standard at issue here. It had already sent the parent company documents in the form of the standard license agreement in 2009. In the context of this communication, the parent company did not request any further information on the AVC/H.264 standard despite expressions of interest, even with regard to a license, and thus indicated that it was able to assess its willingness to license on the basis of existing knowledge. Even in the follow-up to the letter of formal notice dated 06 September 2011, the parent company did not identify any further need for information, but instead requested a meeting for discussion (e-mail "H" dated 15 September 2011, Annex B21/B21a). An inquiry of the Claim Chart by the defendant can only be dated into the year 2016 (cf. minutes of the negotiation meeting with MPEG LA_20160720, No. II 1. (9), Annex B26;



German translation: Annex B26a). Furthermore, the parent company also indicated that it was in principle already aware of MPEG LA as license administrator in 2009 (cf. e-mail Pvom 01 July 2009, Annex B9/B9a), which also includes knowledge of the MPEG LA website, which provides an overview of the pool patent holders together with associated pool patents (Annex K10 - Exhibit C) as well as a concordance list/cross reference chart with reference to relevant standard sections (Annex K10 - Exhibit E).

At the same time, the communication behaviour of the parent company described supports the plaintiff's argument that it is obvious in the smartphone and tablet industry that the AVC/H.264 standard is used in the use of the attacked embodiments and contradicts the defendant's submission that the E Group was unaware of the AVC/H.264 standard at the time of MPEG LA's letter of formal notice.

c)

The parent company of the defendant has also - as requested by the ECJ - indicated its willingness to license within the framework of the pre-trial correspondence.

There are no high requirements regarding the content of the request for licensing required in the infringement notice. It may be general or informal, but the behaviour of the patent user must, however, show a clear will to take a license (OLG Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 183 – mobiles Kommunikationssystem, juris; Kühnen, *ibid.*, Chapter E, para. 333). There may be no subsequent deviation from the declaration of readiness to license, so that it is still valid when the patentee has to submit his FRAND offer (OLG Düsseldorf, *ibid.*, para. 195). Statements regarding content statements which are not necessary may prove to be harmful if the patentee has to assume on their basis that a willingness to license exists only under very specific, non-negotiable conditions which are not FRAND and to which the patentee therefore does not have to agree (OLG Düsseldorf, *ibid.*, para. 197 in the amended version; Kühnen, *ibid.*, Chapter E, para. 333). However, high demands must be required for the establishment of such an offence. The indication of preferred license conditions only invalidates the assumption of readiness to license if it allows the safe conclusion that the patent user in reality does not wish to take a license (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 9, juris).

Bearing this standard in mind, the basic willingness of the defendant's group to license was recognisable to the plaintiff. After the negotiator of the parent company had received the e-mail of 06.09.2011, he asked for a telephone call by e-mail of 15 September 2011 (Annex B21/ Annex B21a) "so that the further details of this matter can be discussed". The answer - if viewed in isolation - leaves room for the fact that there is no interest in a legally



binding agreement at the end of the discussion, which from the plaintiff's point of view would not be worth sending contractual documents.

A reference of MPEG LA to the AVC/H.264 licensing to the parent company can already be found in the email of Mr. Q dated 16 February 2009 (Annex B5/B5a). The parent company also responded to this reference by e-mail dated 18 March 2009 (Annex B7/B7a) by naming the standard - in general form as MPEG 4 (this includes other standards that are not the subject of this dispute, such as MPEG-4 Visual (Part Two)) - and brought this into connection with the group's efforts to agree on licensing only subsidiaries (in particular E). In the period that followed, this demand was consolidated, particularly with regard to the licensing of the MPEG-2 standard but also in connection with the "MPEG 4 standard" (cf. Email P of 01 July 2009, Annex B8/B8a). The MPEG LA continued the discussions with the parent company in the knowledge of this demand, initially with main reference to the licensing of the MPEG-2 standard, but always also with reference to the AVC/H.264 standard (cf. e.g. e-mail Mr. N of 12 September 2009, Annex B11/B11a). This makes it clear that MPEG LA and the group company were already in negotiations in the run-up to the e-mail of 06 September 2011, which was understood as an infringement notification. Against this background, the letter dated 06 September 2011 proves to be a concretisation of the contract negotiations on the AVC/H.264 standard which had previously been conducted with an eye to the MPEG-2 standard. When "H" then suggested further discussion of the matter, this was therefore to be understood as meaning that the negotiations that had already begun should be continued.

The fact that MPEG LA, too, did not understand the parent company's conduct, in particular its efforts to conclude only individual, company-related licenses or special conditions with regard to the Chinese market, in such a way that the Chinese market is simply unwilling to license, is also expressed in the fact that MPEG LA also submitted a concrete contract offer for the licensing of the AVC/H.264-license with the e-mail of 06 September 2011 - for which further details are given under lit. d), aa) - and were followed by licensing talks until 2013 (cf. e.g. e-mail of "H" of 21 February 2012, Annex B23/ Annex B23a; e-mail of Mr. R of 07 November 2013, Annex K16, German translation: Annex K16a).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 (more) "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)



The delivery of the standard license agreement meets the (rather) "formal" requirements of the ECJ for the patentee's offer.

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

These criteria are met with the delivery of the standard license agreement.

(1)

In terms of its objective explanatory value, the sending of the standard license agreement is a sufficiently concrete offer, which in particular also reveals the calculation parameters.

The delivery of the written standard license agreement makes it clear to the parent company that it can obtain a license to the intellectual property rights stored in the AVC/H.264 pool and under which conditions.

In so far as the defendant claims that the contract documents were sent for information purposes only and could not have been perceived as a declaration of intent to conclude the contract, this is not the case in this general assumption. The contract document sent was clearly a contract that was not specifically tailored to the parent company, but - in the sense of a standard contract - intended to apply to a large number of licensees. This can be seen, for example, in the fact that the date of conclusion of the contract and the name of the licensee are to be entered in the contract document, but that the contract has in total a self-contained structure. The parent company therefore had no reason to doubt that the MPEG LA would sign this document. Furthermore, the e-mail of Mr R (MPEG LA) of 06 September 2011 (Annex K10 - Exhibit A - a) states for explanation (emphasis added):

"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 as signed copies [in the defendant's translation, Annex B19a, it says without any difference in content: "cannot be used as copies"]"

Conversely, from the indication, limited solely to the digital version of the contract, that the documents received cannot serve as the relevant contractual document it follows 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. In contrast to the previous actions, the sending of the contractual documents in February 2012 was preceded by the e-mail of 06 September 2011 (Annex K10 - Exhibit A - a), which enabled the parent company - as explained (cf. lit. b)) - to recognise that MPEG LA was now also interested in initiating concrete contractual negotiations on the MPEG-4 standard.

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

(2)

It is also harmless that the standard license agreement was not addressed to the defendant, but to the person ("H") in charge of the license negotiations in the defendant group. Since the conclusion of a group license was in question and negotiations were already conducted with "H" before 6 September 2011, this is the correct addressee (see also: Kühnen, *ibid.*, Chapter E., para. 320).

(3)

As a result, the way in which the license 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 license fee and its calculation. Rather, the SEP holder must explain to the infringer in a concrete and comprehensible manner why the proposed license fees are FRAND (OLG 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 (LG Düsseldorf, decision of 13 July 2017, docket no. 4a O 154/15, para. 311, *juris*). However, the patentee then has to justify (more or less substantiated depending on the circumstances of the individual case), in particular, why the license fee envisaged by him is FRAND precisely against this background (OLG Düsseldorf, *ibid.*, para. 203; LG



Düsseldorf, *ibid.*, para. 310; Kühnen, *ibid.*, para. 326). If there is a sufficient number of license 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 license fee level will normally be required (LG 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 (LG Düsseldorf, *ibid.*, para. 313).

In accordance with this provision, 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 February 2012, 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.

Such knowledge on the part of the parent company can be assumed on the one hand due to the design of the contract document itself (cf. (1)), but on the other hand due to the fact that the defendant's group has also been in contact with MPEG LA for some time (cf. b), aa), (2)), and a list of licensees (Annex K10 - Exhibit F) is/is available on the MPEG LA website. The fact that the defendant's group of companies did not operate without knowledge of any licensees is further proven by the e-mail correspondence submitted. In the course of this, the parent company, in order to emphasize its request for a license concerning only individual subsidiaries, repeatedly pointed out to MPEG LA that there were licensees - such as I - for which only individual group companies were licensed (cf. e-mail "H" of 18 March 2009, Annex B7/B7a; e-mail "H" of 21 February 2012, Annex B23/Annex B23a).

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

Finally, the fact that the parent company did not request further information in connection with the submission of the standard license agreement and nevertheless entered into contract negotiations also suggests that further information is not customary in the industry.

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 in abuse of a dominant position. The contractual conditions must be reasonable and may not be exploitative (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 15, juris). An offer by the licensor may, in particular, prove unfair/inappropriate if a license 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 (LG Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, para. 225, juris; Huttenlauch/ Lübbig, in: Loewenheim/ Meessen/ Riesenkampff/ Kerstin/ Meyer-Lindemann, Kartellrecht, Commentary, 3. edition, 2016, Art. 102 TFEU, para. 182; Kühnen, *ibid.*, Kap. E., para. 245). In the case of a standard intellectual property right, the inappropriateness may also result from the fact that, in the event of a license claim, a cumulative total license charge would also arise for the other standard intellectual 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 license 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 license agreements can be an important indication of the appropriateness of the license conditions offered (LG Düsseldorf, *ibid.*; 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 license, license 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 (OLG Düsseldorf, decision of 30 March 2017, docket no. I-15 U 66/15, para. 208 – Mobiles Kommunikationssystem, 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 (*ibid.*). A difference of treatment is therefore permissible if it is objectively justified (*ibid.*). 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 (OLG 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



teaching (BGH, GRUR 2004, 966 (968) – Standard-Spundfass) or that the product - as here - is only competitive when the patent is used (OLG Düsseldorf, *ibid.*).

The license seeker is obliged to provide evidence and evidence for unequal treatment (OLG Düsseldorf, *ibid.*, para. 212) or the existence of an exploitation offence (LG Düsseldorf, decision of 30 November 2006, docket no. 4b O 58/05, para. 140 – Videosignal-Codierung I, *juris*; Kühnen, *ibid.*, Chapter E, para. 247, para. 308). However, account must be taken of the fact that the license seeker regularly has no detailed knowledge of the SEP holder's licensing practice, in particular of existing license 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 (OLG 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, *ibid.*). The presentation 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 (OLG Düsseldorf, *ibid.*). If unequal treatment has been determined, it is incumbent on the patent proprietor to explain and, if necessary, prove any circumstances justifying the different treatment (OLG Düsseldorf, *ibid.*; Kühnen, *ibid.*).

(2)

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

(a)

The territorial extension of the license agreement to the Chinese market does not constitute discrimination contrary to antitrust law with regard to the selective enforcement of patent rights (see (aa) above), nor is the level of license fees unreasonable because they do not differentiate between individual regional markets, in particular with regard to a license for acts of use on the Chinese market (see (bb) below).

(aa)



Although it is not disputed between the parties that no standard license agreements have been concluded with certain smartphone providers, even though they offer mobile phones equipped with the AVC/H.264 standard, this does not result in unequal treatment contrary to antitrust law.

In the defendant's view, the plaintiff's offer, which also provides for licensing of the Chinese market, runs counter to FRAND conditions because MPEG LA has not yet granted licenses for the same market to any Chinese mobile telephone manufacturer operating on the Chinese market.

In that regard, it should be noted first of all that the defendant, in particular even after the plaintiff had submitted the standard license agreements, did not substantially contest its submission that a significant proportion of the suppliers operating on the Chinese market - the plaintiff mentions 'Apple' in particular, with further reference to Annex K18, "Archos", "Casio", "Doro", "Fujitsu", "Grundig", "Haier", "HTC", "Philips", "Kyocera", "LG Electronics", "Microsoft", "Panasonic", "Pantech", "Samsung", "Sharp" and "Sony Mobile". If the defendant names "Changhong Europe Electric s.r.o", "Shenzhen Jiuzou Electric Co., Ltd." and "Shenyang Tongfang Multimedia Co., Limited" as companies lacking a license for the Chinese market, it follows from the e-mail traffic referred to by the defendant itself (Annex B7/B7a) that these are facts relating to the MPEG-2 standard.

To the extent that the companies 'Lenovo', 'Oppo', 'Xiaomi', 'Vivo' and 'ZTE' remain, which have undisputedly not concluded a license agreement, it is true that, from the point of view of selective prosecution, this initially provides a starting point for unequal treatment which, however, is objectively justified by the plaintiff.

In fact, unequal treatment exists not only if the dominant patent holder grants preferential contractual conditions to individual license seekers, which he refuses to grant to others, but also if he selectively enforces his prohibition rights under the patent by taking action against individual competitors in order to force them into the license agreement, while allowing other competitors to use the property right (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 41, juris; LG Düsseldorf, decision of 30 November 2006, docket no. 4b O 508/05, para. 170 – Videosignal-Codierung I, juris). In its actual effect, such a strategy means nothing more than that some competitors are granted royalty-free licenses, while some competitors are granted royalty-free licenses only (LG Düsseldorf, *ibid.*).

In connection with the point at issue here, the plaintiff has argued that it is also attempting to persuade unlicensed companies to obtain a license. That submission is confirmed by the fact that it has brought an action against K (see the proceedings pending



before the Regional Court under docket no. 4a O 16/17). This declaration excludes the possibility of discrimination.

Neither does anything else apply because the plaintiff, apart from the K Group, has so far not filed a claim against any of the more specifically named non-licensed companies. The plaintiff is entitled to a differentiated judicial assertion already because of the associated cost risk. In addition, the plaintiff understandably justified its selection decision, for which it must in any event be granted a discretion, by the fact that it first wished to exercise its rights in court against a significant market participant, because here the damage to be expected as a result of the lack of licensing is most extensive and in order to be able to achieve a deterrent effect vis-à-vis other companies in this way.

(bb)

There is no sufficient evidence that the unit license under point 3.1.1 of the standard license agreement is unreasonably high because it is uniformly defined irrespective of the territory in which the licensed product is sold and, in particular, there is no provision for a lower unit license for the Chinese market.

(aaa)

In this respect, the considerable indicative effect of the more than 2,000 license agreements submitted by the plaintiff is considerable.

(i)

If license agreements already exist for the intellectual property right portfolio in question, these can develop an actual presumption of the appropriateness of the license conditions by recourse to the so-called comparative market concept (Kühnen, *ibid.*, Chapter E., para. 430). This indication effect in principle also covers the scope of the license. If the patentee has already granted licenses to the SEP portfolio offered for comparable products, it appears that the combination of intellectual property rights is in the best interests of the parties (LG Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, para. 226, *juris*; Kühnen, *ibid.*, Chapter E, para. 423).

That is the case here.

The plaintiff has argued that its licensees accepted the standard contract with a globally uniform license. The plaintiff further submitted - in accordance with the secondary burden of presentation - a USB stick with 2,128 license agreements, of which approximately 1,400 still exist, and a USB stick with further license agreements concluded



after January 2018, and in this connection claimed that their content was identical to the contract document sent to the parent company in February 2012 (Annex K10 - Exhibit G - a).

The plaintiff's argument provides a strong indication that worldwide uniform license fees are customary in the industry and at the same time precludes the defendant's argument that there is broad agreement within the industry that the particularities of the Chinese market should be taken into account in negotiations on worldwide FRAND licenses.

Even taking into account the dispute between the parties as to the extent to which the companies that are both licensees and pool members can be used for comparison purposes (cf. lit. (c), (bb)), it is undisputed - which is sufficient to trigger the indication effect for the facts at issue here - that other companies active on the mobile communications market also belong to the group of licensees. This is also supported by the number of license agreements concluded (over 2,000) in relation to the number of pool members (36 in number according to the list Annex K10 - Exhibit F). Neither does the assumption of the indicative effect at least for the objection under examination here (inadequacy of the unit license in the absence of differentiation with regard to the Chinese market) preclude licensees from offering other AVC-enabled products in addition to smartphones (see also (c) below). This would also be adversely affected in principle by unreasonably high licenses for the Chinese market.

Finally, there is also no evidence to suggest that the standard license agreements themselves were concluded through abuse of market power (see Kühnen, *ibid.*, Chapter E., para. 312, para. 409 and footnote 10 with reference to LG Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, and Kühnen, *ibid.*, para. 430). On the contrary, the plaintiff claims indisputably that the patent pool has established itself without pressure.

(ii)

In its dispute with the license agreements submitted, the defendant has also not pointed out any circumstances that would contradict the indicative effect of the license agreements already concluded. In particular, it has not demonstrated, on the basis of the standard license agreements submitted, its argument - contested by the plaintiff - that other licensees pay lower license fees for sales in China, nor has it shown any other relevant differences in content between individual license agreements concluded.

The defendant's objections in detail:

Incompleteness of the documents submitted



In so far as the defendant criticised the incompleteness of the contractual documents on the basis of the USB stick submitted in Case 4c O 3/17, the plaintiff remedied that incompleteness.

The license agreement with "S." now exists in its entirety as Annex K34 to Annex K27, and the license agreement with "Sony Computer Entertainment Inc." as Annex K35 to Annex K27. The contracts with "Alba Broadcasting Corporated Limited", "Bush Australia Bty Limited", "Grundig Australia Pty Limited", "Grundig Consumer Electronic Limited", "Harvard International (Hong Kong) Limited" and "Harvard Maritime Limited", of which initially only the cover page and signature page were available, are now available as Annex K36 to Annex K27. With regard to the original incompleteness of its submission, the plaintiff has invoked 'scan errors', which the Chamber considers plausible in view of the large number of standard license agreements to be submitted.

The defendant has not repeated the objection of incompleteness even in this respect after submission of the standard license agreements in the present proceedings.

Missing contracts

As regards the other contracts cited by the defendant as missing ('Lenovo', 'Oppo', 'Xiaomi', 'Vivo' and 'ZTE'), the plaintiff replied that there were no such contracts. Further lecture on these negative facts is - in the context at issue here - not possible.

Quantitative differences in the number of pages

The defendant's submission that there are quantitative differences with regard to the number of pages of the contract documents submitted does not reveal a substantive discussion of the kind which would be necessary to invalidate the indicative effect. In particular, it is not advisable to draw any conclusions from the different page numbers as to significant changes in content. This is all the more true as the plaintiff submits that the scope of the standard contract document may differ already because the number of patent holders and pool patents listed in the preamble of the contract as well as in the legal definition under point 1.31 of the standard contract has changed considerably, which at the same time entails an amendment of Annex 1 to the standard license agreement (cf. also reference to this in point 1.8 of the standard license agreement). The definition of the AVC standard in the AVC standard itself had also been amended in such a way that it was now considerably longer. As a result, the scope of the contract text in Section 1.13 of the Standard License Agreement had also increased.

"T-Contract"



The defendant derives a substantial deviation in content from a supplementary agreement existing in connection with the licensee "T" (= Zweites Deutsches Fernsehen) (Annex K37 to Annex K27), after the standard license agreement signed by the "T" (Annex B65 to Annex K26) states: "Applies only in connection with the T order 4500165362". In that regard, the defendant must be allowed to accept that the supplementary agreement to the point states 'licenses':

"Right to use AVC/H.264 technology for HDTV programme processing via satellite and cable using a professional AVC/H.264 broadcast encoder",

and a unit price of EUR 1,903.53 and a total (net) amount of EUR 3,807.06. In this respect, however, it is not yet clear to what extent the contract concluded with the "T" affects the relevant mobile communications equipment market in this case, and thus helps to substantiate the relevant indicative effect in this case. The T is not known to the Chamber as a provider of mobile radio equipment, but rather as a television broadcaster and provider of telemedia services (Section 3(1), Section 11b(3), (4) and Section 11d(1) of the Interstate Broadcasting Treaty).

Renewal notifications

The defendant continues to see an indication of a divergent contractual practice in the fact that contracts concluded before 2010 with an expiry date of 31.12.2010 were subject to automatic renewal, whereby the renewal could be made dependent on compliance with "reasonable contractual adjustments or changes to the contractual terms and conditions in accordance with the detailed renewal notification".

The plaintiff has submitted the relevant extension notifications with Annex K27 (there Annex Volume K38), the defendant has not made any changes with reference to these. To the extent that the defendant now also requires the submission of e-mail traffic showing to whom the communication was sent and when, such submission is not necessary. The plaintiff is not required to introduce into the proceedings further documents substantiating its submission in addition to the standard license agreements. On the contrary, it has sufficiently substantiated its submission by submitting the renewal notice by arguing that those notices were sent uniformly to all licensees by e-mail. The defendant can determine which licensees these are on the basis of its own knowledge. Itself submits that the amendments were relevant for contracts concluded before 2010 which would have expired on 31 December 2010. Furthermore, it is not necessary to submit the e-mail traffic in order to enable the defendant to state whether there have been other documents with amendments in addition to the renewal notifications. The defendant itself quotes No. 6.1. of the contracts concluded before 2010 as meaning that the



amendments to the terms and conditions of the contract are made solely "in accordance with the notice of renewal".

Appendix 1 to the Standard License Agreement

The contracts submitted do not give rise to the presumption of a different regulatory content because, with the exception of the contract with 'Fujitsu', they are not accompanied by Annex 1 referred to in point 1.8 of the standard license agreement (Annex 1 to the contract with Fujitsu, Annex B66 to Annex K26).

This is because Annex 1 does not serve the purpose of bindingly determining the rights of contract protection. The scope of the license granted is set forth in Section 2.1 of the Standard License Agreement, which provides for a "sublicense under all AVC Essential Patents in the AVC Patent Portfolio" (emphasis on this page). From the definition of the AVC patent portfolio contained in point 1.8 of the standard contract (Annex K10 - Exhibit G - a) (emphasis added),

"AVC Patent Portfolio - means the portfolio of AVC essential patent(s) originally listed in Appendix 1 to this Agreement, which may be amended or reduced from time to time in accordance with the terms of this Agreement",

and from item 8.2.1,

„[...] Notwithstanding anything to the contrary in this Agreement, any changes to Appendix 1 to this Agreement shall not be effective until a new Appendix 1 is posted on the Licensee's website [...]”,

it becomes clear that Appendix 1 will be updated and that the current inventory of the license agreement protection rights, insofar as they are published on the MPEG LA website, forms the uniform subject matter of the agreement for all standard license agreements. Against this background, no conclusions can be drawn from any differences in Annex 1 provided to the licensee in paper form regarding a different subject-matter.

(bbb)

Moreover, the defendant's submission does not reveal any circumstances which would render inapplicable the indicative effect of the appropriateness of the license fee as set out in (aaa) above.



(i)

In particular, the defendant's submission does not provide any indication that the royalties can no longer be contested by the licensee with a sufficient own profit. The unit license fees of \$0.20 per unit (for sales of 100,001 to 5,000,000 units per year) or of \$0.10 per unit (for sales of more than 5,000,000 units per year) set forth in Section 3.1.1 alone do not give rise to any presumption of this.

(ii)

Furthermore, a turnover-based analysis, which takes into account the ratio of the sales price per unit to the license fee collected by the pool, does not show that the value share attributable to the pool is unreasonably higher for sales in China than for sales in other countries.

The selling prices of the mobile telephones offered by the defendant group for the year 2016, as put forward by the plaintiff,

	Sales price China	Sales price USA	Sales price Europe
Premium Phone:	\$384	\$336	\$320
Base Phone:	\$151	\$166	\$141
Utility Phone:	\$53	\$53	\$53

are contrary to the substantial differences in selling prices on the Chinese market which the defendant claims to be flat-rate.

Irrespective of this, the defendant has also not shown that, in such a view, the share of fees in Chinese distribution activities is so high that they could no longer be expected of an economically reasonable licensee. Insofar as the defendant refers to the fact that, if other holders of essential AVC patents proceed in the same manner, an excessive total license burden arises, its factual presentation does not indicate that such a burden actually exists - which would, however, be necessary for the determination of an abuse of the market-dominating position (OLG Düsseldorf, order of 17 November 2006, docket no. I-15 U 66/15, para. 50, juris). In this respect, it should also be noted that the pool at issue here already includes approximately 40 pool patent holders for AVC/H.264 essential



patents. The defendant's submission already leaves open which additional licenses are required for the use of the standard.

(iii)

The inappropriateness of the license fee set out in the standard license agreement does not arise - contrary to the existing indicative effect - from the fact that - as the defendant claims with reference to the overview in Annex B29 (German translation: Annex B29a) - fewer pool patents are in force for the Chinese market.

The facts of the case referred to in this way may in principle provide evidence of inappropriate treatment, but the customary nature of the industry is also decisive in this respect (OLG Düsseldorf, order of 17 November 2006, docket no. I-15 U 66/15, para. 42).

In this context, it should first be noted that the number of intellectual property rights in force in a country must not be overestimated, because even a single patent is able to keep an interested party out of the standard defined market. Whether the license seeker also needs additional licenses to use the standardized technology then plays a rather subordinate role (LG Düsseldorf, decision of 11 September 2008, docket no. 4b O 78/07, para. 102, juris). It is also noteworthy that - as the plaintiff rightly points out - even after the list of defendants (Annex B29/Annex B29a) the share of pool patents in China is the fourth highest ("CN - 233").

The fact that patent enforcement may be difficult does not in itself constitute a reason to require lower license rates. A patent must already be observed when it exists.

(b)

Neither can it be established that the AVC/H.264 patent pool is composed in a manner contrary to antitrust law.

(aa)

The determination of a "fair and reasonable license offer" in connection with a patent pool, i.e. in the form of a merger of several property right holders for the joint licensing of the patents held by them, first requires a substantiated factual presentation on the use of the patents from the pool (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 26 et seq.; Kühnen, *ibid.*, Ch. E, para 420). In this respect, however, no degree of conviction according to Sec. 286 German Civil Procedure Code (ZPO), which requires a personal certainty that silences without completely excluding doubts, is required (Greger, in: Zöller, ZPO, Commentary, 32nd edition, 2018, Sec. 286, para. 19). Rather, § 287 (2) ZPO is



applicable, which - by reducing the standard of proof in § 286 ZPO - allows a predominant probability to suffice (OLG Düsseldorf, *ibid.*, para. 26; Kühnen, *ibid.*).

In principle, a corresponding presentation is made by presenting so-called claim charts for selected portfolio patents, which assign the relevant passages of the relevant standard to the respective SEPs (OLG Düsseldorf, *ibid.*, para. 27; Kühnen, *ibid.*).

Such a reference list is available as Annex K10 - Exhibit E for all pool patents.

(bb)

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 (LG Düsseldorf, docket no. 4b O 508/05, para. 119 - Videosignal-Codierung I, *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."



Based on this standard, the offer of a license to a patent pool only proves to be inappropriate or discriminatory in special circumstances, and thus contrary to antitrust law.

Such circumstances cannot be established here, as will be shown below.

(aaa)

In particular, such circumstances do not arise from the fact that, as the defendant claims, mobile operators typically use only one of the four profiles provided by the standard and only certain features of it.

(i)

The defendant submits that the fact that the AVC/H.264-Standard consists of different profiles (essentially four: "Baseline (CBP/BP)", "Extended (XP)", "Main (MP)" and "High (HiP)"), each profile having certain features, but because mobile device manufacturers generally use only a few selected profiles, in particular "Baseline", and then only use certain features of these profiles (features such as "flexible macroblock ordering (FMO)", "arbitrary slice ordering (ASO)", "redundant slices (RS)", "data partitioning" and "SI/SP slices", for example, would not be used.), mobile operators are burdened with an excessive license.

This objection may, in principle, be capable of showing that the license fees are inappropriate. It is comparable to cases where not all patents in a pool are used (cf. Kühnen, *ibid.*, para. 412). However, as is the case here, objective reasons can be cited against an unreasonable obstruction in this sense (Kühnen, *ibid.*).

(ii)

The establishment of a patent pool for the use of a standard always goes hand in hand with a certain lump sum - which the defendant does not deny at the outset either (LG Düsseldorf, decision of 11 September 2008, docket no. 4b O 78/07, para. 101, *juris*), whereby such a lump sum is unavoidable, in particular with a patent pool of more than 5,000 patents.

The Chamber does not disregard the fact that the lump sum itself is not connected with any statement about the extent of the lump sum from which inappropriateness may arise. In this respect, however, it must be taken into account in the present case that the starting point for the granting of the license is the granting of the legal possibility of offering and distributing "AVC-enabled" products which can perceive the standard in its entirety.



Clause 2.1 therefore also links the scope of the license to acts of use in connection with an "AVC Product" which, according to Clause 1.10 of the license agreement, is defined as a

"Product or any device, in whatever form, which contains or forms at least one fully functional AVC decoder, AVC encoder or AVC codec. [...]"

An AVC code is defined in 1.4. as

"a single product or device containing the complete functions of an AVC decoder or an AVC encoder. [...]"

The video unit produced by AVC is therefore decisive, regardless of the product with which the manufacturing process was implemented.

The contractual regulations described express the expectations of the market for an AVC-capable product. This is due in particular to the fact that the technical possibilities of use of the standard are not primarily the choice of the smartphone manufacturer, but are determined by the creator of the videos.

The need to make available the technical range of the standard is also supported in the present case by the fact that the plaintiff, referring to the test report submitted as Annex K8, argued that the challenged designs (devices investigated: P9, P9 Plus, P9 Lite, GX8, Mate S, Mate 8) are capable of playing more than just one profile, namely 'Baseline', 'Main' and 'High'. Only older smartphones are not able to display profiles other than "Baseline". Neither can it be inferred from the defendant's submission that the (current) mobile radio devices are technically incapable of implementing these profiles. It follows from this that the relationship between performance and consideration is in principle balanced in this respect. Finally, the fact that the distinction between different product types is becoming increasingly blurred anyway also speaks in favour of a close linkage of the different profiles from a market perspective, because, for example, the attacked smartphones can take over more and more of the functions of digital TVs or video cameras and have computer functions.

(iii)

The fact that the fee structure of the successor standard to the standard at issue in this case (H.265/HEVC standard) provides for a differentiation according to profile uses is not capable of bringing about a different assessment than the objective justification given. The fact of differentiation according to profile use does not automatically lead to the



assumption that a contractual construct which lacks such differentiation is FRAND-incompatible. A differentiation according to the use of the profile - which is not the subject of this review - may be necessary taking into account the overall context of the licensing system relating to the successor standard. Comparability with the standard under review here, which also requires differentiation in the present case, does not follow from this, however.

(bbb)

The AVC/H.264 patent pool is also not composed contrary to antitrust law because it contains standard and non-standard essential patents.

Such a composition of the patent pool from standard essential and non-standard essential patents can in principle constitute an inappropriate treatment of the license seeker (LG Düsseldorf, decision of 31. November 2006, docket no. 4b O 508/05, para. 132 – Videosignal-Codierung I; Kühnen, *ibid.*, Chapter E, para. 255, para. 412 ff.). A situation of exploitation will normally be affirmed if a pool of intellectual property rights not necessary for compliance with the standard is included in the license agreement as planned, so that the purpose of unjustifiably increasing the license fees by including as many patents as possible becomes apparent (LG Düsseldorf, decision of 30 November 2006, docket no. 4b O 508/05, para. 130, 132 – Videosignal-Codierung I, *juris*).

It is not sufficiently clear from the defendant's arguments that this is the case here.

(i)

The cross reference chart with reference to relevant standard sections to which the pool patents are assigned (Annex K10 - Exhibit E), which can be downloaded from the MPEG LA website, shows what the standard essentiality of the pool patents should be based on. In contrast, the arguments put forward by the defendant in its submission do not support the assumption that the composition of the pool contravenes antitrust law, even from a factual point of view.

With reference to a so-called essentiality analysis of the consulting firm U (Annex B37; German translation: Annex B37a, together with the associated statement Annex B38; German translation: Annex B38a), the defendant asserts that the pool patents brought in by the plaintiff, Ericsson, Nippon Telegraph and HP are not standard essential.

From the documents referred to by the defendant, only the result of a random examination can be inferred, the object of which was to read some selected pool patents on the standard (cf. Annex B38a, p. 5 f., No. IV., points 10 - 14.). Accordingly, 1,227 of the



5,047 patents applied for (Annex B37a, p. 1, upper table, 2nd sp. "Total patents applied for": 2,173 + 2874) were considered (Annex B37a, p. 1, upper table, 2nd and 3rd sp. "*Four rightful claimants*" / "*Other plaintiffs*", 4th sp. "*Analyzed patents (issued in English)*" 439 + 788). Among them are 20 patents of the plaintiff (Annex B37a, p. 1, 2nd table from above, 4th line "*Tagivan*", 4th column). Of the "four claimants" - meaning "Godo Kaisha IP Bridge", "Mitsubishi Electric", "Panasonic" and the plaintiff - 139 patent families have not been analysed (Annex B37a, p. 1, upper table, 2nd line, 6th column "Not analysed families"). Of the 1,227 analysed patents of the "four claimants", 132 patents are said to be essential (Annex B37a, p. 2, Table, 3rd line "*Four claimants*", 2nd line "*Analyzed patents essential*"). A total of 622 of the 1,227 examined patents are said to be standard essential (Annex B37a, p. 2, table, 5th line "*Total*"; 2nd line "*Analyzed patents essential*"), while 605 patents are said to be non-essential (Annex B37a, p. 2, table, 5th line "*Total*"; 2nd line "*Analyzed patents essential*").

The documents do not contain any justification of the result, which shows the course of the investigation. Neither the defendant's submission nor the documents submitted on essentiality analysis (Annex B37/B37a and Annex B38/B238a) indicate which pool patents (with publication numbers) have been considered essential and which non-essential, and which parts of the standard - contrary to the Cross Reference Chart (Annex K10 - Exhibit E) - do not find compliance in the respective patents. As far as the defendant does not consider all the patents brought into the pool to be standard essential with regard to the plaintiff, the overview (Annex B37/B37a) does not show this. This shows that 139 patent families of the "four claimants" have not been examined (Annex B37a, p. 1, 1st table, 1st line, last column "*Not analysed families*"). A distribution of the 139 omitted patent families among the "four claimants" is not disclosed in the list (Annex B37a, p.1, 2nd table from above, with one column "Not analysed families" - unlike in the 1st table - missing). This is all the more important since it has been established that the patent in question is an essential standard patent, at least with regard to the plaintiff's patent here (cf. Section I).

From the overview in Annex B50 (German translation: Annex B50a) nothing else follows in this respect. Although it should contain "an evaluation slightly corrected downwards in the result", it does not reveal any divergent figures with regard to the results considered here.

Neither does the fact that the ISO/ITU/IEC rules applicable to the present case - unlike those of the European Telecommunications Standards Institute ("ETSI" for short) - do not provide for precautions to prevent the SEP portfolio from "inflating" on the basis of non-essential patents does not justify the assumption that the pool at issue contains non-essential patents. Irrespective of the fact that this submission already does not reveal a



dispute with the concrete pool, the plaintiff points out in this connection that, irrespective of the regulations of the respective organization, an examination by independent experts also takes place, which according to para. number 248 of the guidelines is to be taken into account when classifying a pool as restrictive of competition or promoting competition (cf. on the ISO procedure in connection with the MPEG-2 standard also LG Düsseldorf, Urt. v. 30.11.2006, ref. no.: 4b O 508/05, para. 127 – Videosignal-Codierung I, juris).

Furthermore, the defendant, as the infringer, can only benefit from the alleged cartel infringement if he does not make use of those license protection rights which are not supported by the standard (LG Düsseldorf, decision of 30 November 2006, docket no. 4b O 508/05, para. 136 – Videosignal-Codierung I, juris). Therefore, a legally relevant defence argument does not only include the assertion that certain (specifically to be described) license agreement protection rights lie outside the standard, but also that none of these rights is used (ibid.). The defendant is not acting in this respect either.

(ii)

Notwithstanding the explanations under (i), the defendant's submission also does not offer sufficient arguments, that the pool owners, even if the pool does not contain standard-significant patents which the defendant does not make use of, repeatedly and systematically include patents which cannot be protected.

The defendant submits that the proportion of non-essential patents in the pool is approximately 50 %. This cannot be deduced comprehensibly from the examination material submitted because it follows from the material itself that the defendant did not have all pool patents examined. Rather, the commissioned analysis covered only 1,227 patents (Annex B37a, p. 2, table, 4th ed., 5th sp.), which corresponds to approximately 25 % of the total patents stored in the pool. Of the patents analysed, 605 should be non-essential (Annex B37a, p. 2, table, 4th item *"Total"*, 3rd and 4th items *"Non-essential"/ "Informative"* 584 + 21). In relation to the patent volume of the entire pool, this accounts for a share of approx. 12 %. Under these circumstances, a scheduled storage of non-standard patents cannot be assumed without further ado.

Furthermore, from the Chamber's point of view, it is not sufficient to argue a systematic approach by pool patent holders that the plaintiff has previously obtained its pool patents from another pool member ('Panasonic') and that the transferred patents are divisional applications of one and the same 'Panasonic patent family'. The defendant submits that the branches were made only in order to increase the number of standard essential pool patents - and thus the license fees to be paid.



The defendant describes a similar situation in relation to 'Panasonic' and a third company, V, in relation to the US patent W, which was not included in the pool at issue. The defendant deduces from this that there are non-essential patents in the pool, whereas the patents held outside the pool are predominantly essential.

Irrespective of the fact that the plaintiff disputes the standard essentiality of the US patent W with regard to the "optis facts" and that the essentiality analysis submitted by the defendant in this respect as Annex B54 (German translation: Annex B54a) is subject to the same reservations as the essentiality analyses on the pool patents (cf. in this regard under (i)), the facts presented by the defendant are "neutral" events in the starting point. The defendant does not put forward any other circumstances which would make them appear to be part of an abusive systematic approach, nor do they result from an overall view of the defendant's submissions. Against an evaluation of the presented constellations as a systematic procedure, it is also stated in this context that the license fee did not increase with the increase of the pool patents, and that MPEG LA is not able to increase the license fee due to the expansion of the patent pool according to Section 4.9 of the standard license agreement (cf. lit. (e)).

(ccc)

Finally, the fact that the total licensing burden for AVC-enabled products is unreasonably high does not result in the pool being composed in violation of antitrust law because, in addition to the intellectual property rights stored in the pool at issue, licenses must also be obtained from other patent holders outside the pool.

The fact that there are also other patents - possibly essential for the standard at issue - outside the pool does not lead to the mandatory assumption of an exploitative offence. Even a pool license that does not cover all standard essential patents has the advantage that the license seeker does not have to conclude an individual contractual arrangement with each individual patent holder. The limit to the restriction of competition is only reached if the product using the standard functions is actually charged in the totality of the fees to be paid in such a way that a profitable marketing possibility no longer exists. A merely theoretical cumulation, on the other hand, does not yet lead to the inappropriateness of the license fee (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 50).

(c)



The standard license agreement also does not present itself as discriminatory because - without objective justification - there are individual contractual agreements with third parties that deviate from the standard license agreement.

(aa)

As an individual contract deviating from the pool license, the defendant first mentions an existing agreement between companies of its group and X, a member of the AVC/H.264 standard pool with regard to the 3GPP/3GPP2 patent portfolio (Annex B47; German translation in extracts: Annex B47a).

X acts as licensor with respect to the portfolio of 3GPP/3GPP2 essential patents. The AVC technology at issue here is not expressly mentioned in the contractual agreement. However, point 5.2.1 provides for the following procedure: If X claims infringement of an unlicensed patent against the licensee with respect to the use of the licensed product, the licensee has the option to exercise a pick right, whereby he obtains from X a non-exclusive, non-transferable license to the unlicensed patent to the extent that it enables him to use the licensed product. In addition, X will refrain from asserting any claims for use with respect to the Licensed Products prior to the effective date of the license grant.

Reference is made to the contract document (Annex B47/B47a) for the precise content of this contractual construct.

The defendant has not yet argued that X asserted infringement of a non-licensed patent against the group companies and that they subsequently exercised the option - the contractual agreement with X (Annex B47/B47a) states to this extent:

"5.2.2 For the avoidance of doubt, the parties understand and agree that, at Licensee's discretion, a License will only take effect upon one Licensor Enforcement Event [meaning the case described in Clause 5.2.1].

5.2.3 The license that comes into existence through the exercise of the Licensee's option shall be legally effective (retroactively) from the effective date until termination or expiration of the term. [...]"

Irrespective of this, the contractual relationship existing with X is also not suitable for presenting an abusive unequal treatment because at the same time connecting factors for a special constellation arise from it which justify the unequal treatment.



The starting point for the granting of the "pick rights" is the granting of a license to the 3GPP patent portfolio. If the option is exercised, licenses to other patents shall be granted according to the wording of Clause 5.2.1,

"[...] License in this unlicensed patent(s) of Licensor for use with respect to the Licensed Products". (emphasis added),

3GPP is therefore granted only to the extent necessary for the use of the 3GPP Licensed Products. A comprehensive granting of rights to patents essential to the AVC/H.264 standard is obviously not to take place with the "pick right".

The fact that the agreement with X is also not suitable for adequately replacing the conclusion of the standard license agreement and would therefore be regarded as a deviating agreement is also to be assumed because it can only give rise to an entitlement to use the patents of X that are essential for the AVC/H.264 standard. In this respect, the arguments put forward by the defendant itself also offer arguments for the fact that this agreement would at most have to be taken into account when concluding the standard license agreement by offsetting license fees already paid to X (cf. lit. (cc)).

(bb)

Neither can abusive unequal treatment be inferred from the licensing of pool patent holders themselves.

In that regard, the plaintiff has argued - and substantiated by submission of the license agreements - that the same standard license agreement is concluded with pool patent holders as with licensees who do not participate in the pool. In so far as the defendant suspects in the internal Membership Agreements between the pool patent holders that any license fee payments to be made by the pool members would be compensated by an internal distribution of the license fee payments, it does not in this context present any factual evidence supporting the suspicion.

The mere fact that license fees are distributed does not in itself give rise to any conduct establishing unequal treatment contrary to antitrust law. Rather, the respective pool patent holders are in principle granted compensation (consideration) for the service they render in bringing the patents into the pool. The fact that the distribution of licenses is based on a key that reflects the different participation in the pool - and thus that there is no overcompensation of the license fees paid - speaks in favour of the fact that each patent holder participating in the patent pool has a considerable self-interest in a distribution corresponding to his participation in the pool.



The previous remarks suggest that the standard license agreement should already be seen separately from the "Membership Agreement". In any case, the fact that the licensor makes his pool patents available is also a permissible criterion for differentiation (cf. similarly to the consideration of cross-licenses for existing license payments Kühnen, *ibid.*, Chapter E., para. 308).

In the light of the foregoing, the plaintiff is also not required to submit "Membership Agreements" of MPEG LA.

(cc)

Finally, any payment by instalments and crediting agreements do not give rise to unequal treatment contrary to the principle of non-discrimination.

Payment by instalments and crediting agreements are rules on payment modalities which, however, do not in principle affect the fees to be paid according to the standard contract.

As regards crediting agreements, abusive unequal treatment is already excluded because it is merely a matter of compensation for any services already made by the licensee, and there is therefore at least an objective justification. Neither has the defendant shown that there is already a need for crediting on its part. The minutes of the talks between E and MPEG LA of 3 July 2017 (Annex B26/B26a) show that E stated during the talks that license agreements had been concluded with individual holders of pool patents (Annex B26a, p. 1, under II, 1. (1)). However, the defendant only specifies this with reference to the contract concluded with X (Annex B47/B47a), which, however, does not concern the licensing of the AVC/H.264 standard. Insofar as the defendant's group companies have received a so-called "pick right", it is not apparent that the conditions for granting the license have already been fulfilled (cf. lit. (aa)).

As regards the possibility of payment by instalments, the plaintiff has stated that that possibility is granted to everyone. In this respect, however, the defendant has not put forward any need for such an agreement on its side either.

(dd)

The correctness of the defendant's assertion that MPEG LA had concluded license agreements with companies without granting licenses to their parent companies is based on the assumption that, in principle, MPEG LA may have acted in a discriminatory manner.



However, the defendant's submission lacks the substance to substantiate this objection in a substantial manner. First, it refers to the companies "Changhong Europe Electric s.r.o.", "Shenzhen Jiuzhou Electric Co., Ltd." and "Shenyang Tongfang Multimedia Co. Ltd.", with which, however, it refers to the licensing of the MPEG-2 standard (see e-mail attachment B7/B7a).

With regard to the AVC/H.264 standard, the defendant cites "Haier America LLC". In this respect, however, the plaintiff has described MPEG LA's licensing practice in concrete terms to the effect that separate licenses are only granted to individual group companies if the acts of use relevant to patent law can be restricted to these specific group companies. The defendant has not shown that this applies equally to the defendant's group.

(ee)

Insofar as the defendant wishes to derive evidence for a contractual arrangement deviating from the standard license agreement from the fact that different contract numbers are listed in the third column "Associated Contract" in the list according to Annex K14, this is irrelevant for the present proceedings because - as can be seen in the first column ("patent pool") of the table - this refers to the MPEG-2 standard, which is not under examination here.

(d)

The maximum rates for payment of the annual license fee provided for in the standard license agreement do not give rise to discrimination contrary to the FRAND moderation of the offer.

The defendant considers that the maximum rates envisaged, the attainment of which would not give rise to any license fees for other units sold, would disproportionately favour large-volume licensees, in particular those who distribute other AVC/H.264 standard-capable products in addition to mobile telephones. This would enable cross-subsidisation to take place in such a way that the license fees payable for the distribution of smartphones could be financed by the profits generated in connection with other AVC-enabled products. This was to be seen as structural unequal treatment contrary to the principle of non-discrimination.

However, the Chamber is not in a position to accept that conclusion.

From Art. 102 TFEU, a general obligation of most-favoured treatment cannot be inferred (OLG Karlsruhe, decision of 23 March 2011, docket no. 6 U 66/09, para. 166 - FRAND



Principles, juris). Accordingly, even a dominant company is not forced to grant all the same - favourable - market conditions, in particular prices (ibid.). It cannot be denied the right to react differently to different market conditions (ibid.). Therefore, inadmissible discrimination does not result from the fact that contracts concluded with the opposite side of the market do not always lead to the same economic result (ibid.). Rather, the decisive factor for the question of discrimination is whether a different design of the conditions is based on arbitrariness or irrelevant considerations. The decisive factors are the nature and extent of the difference in treatment, and whether a relative disadvantage of one company compared with another is a reconciliation of interests in conformity with competition or is based on arbitrariness or irrelevant considerations (ibid.).

According to what has just been said, the annual fees paid are generally suitable as objective points of reference for granting discounts. As the licensing system of the AVC/H.264 pool provides for a unit license, reaching the maximum annual fee paid depends on the sales force of the company concerned. This is primarily an expression of the competitive actions of the companies operating on the market and of entrepreneurial decisions. If a competitor, because it has opened up a wider market than its competitor, turns out to be 'stronger' (in terms of the number of units sold), it does not appear to be inappropriate from the outset to combine a discount with it.

In this respect, it should also be noted that the limitation of the (annual) license fees to be paid according to the contractual concept benefits each licensee, which means that there is no unequal treatment "in legal terms". Rather, the defendant's objection refers to the "factual situation". However, the defendant does not argue that the ceiling in the present case is set precisely in such a way that - which would argue in favour of irrelevant considerations - it in fact applies only to a specific companies or a small number of companies.

If the defendant objects in this context that the upper limit in particular favours multi-product suppliers unlawfully over "pure" smartphone/tablet PC suppliers, there is nothing to object to this flat-rate approach. This is because the starting point for licensing is precisely to make it possible to offer and distribute an AVC-capable product (see also lit. (b), (bb), (aaa)).

Furthermore, it does not appear from the defendant's submission that the contractual ceiling cannot apply to any provider whose sales activity is limited to mobile devices. The figures (X) reproduced by the plaintiff in the table below which are based on data from the market research company IDC ("International Data Corporation") and which demonstrate that the defendant group has reached the cap limit since 2014 also stand in contrast. Although the defendant contests that table in a different context by referring to the table



on page 48 of the replica, which is as far as possible identical and put forward by the plaintiff in a different context, it does not take into account the fact that the plaintiff has not submitted any replies to that table. In the second column under the heading "Global sales of units" numbers with "\$" characters are listed. This unit is in fact unsuitable for the indication of quantities, but in the table referred to here on page 55 of the replica this unit is not listed. In that regard, the plaintiff has also clarified that it refers to the number of units with the values mentioned. In so far as the defendant claims - again in another context (with regard to its sales units on the Asian market) - that the figures provided by the plaintiff are incorrect and refers to the list in Annex B49 (German translation: Annex B49a), the latter shows, in any event, a higher number of units sold in 2014 and 2016 (2014: 73.847,778 and 2016: 139,343,823) as according to the plaintiff's overview, so that the submission according to which the capping limits are reached remains correct even if the figures submitted by the defendant are taken into account. In view of all this, there is no structural difference between the economic possibilities of a multi-product provider and those of an (exclusive) smartphone provider that also reaches the capping limit.

The fact that there may also be suppliers who do not reach the capping limit is linked to the special business conditions of individual competitors, which must be disregarded in the assessment here. Rather, in the context of an objective approach, the production and contractual conditions typical of the respective market must be taken into account (in other contexts: LG Düsseldorf, decision of 11 September 2008, docket no. 4b O 78/07, para. 141).

(e)

The level of the license offered in the standard license agreement does not prove to be inappropriate either because an adjustment clause is not provided for in the agreement.

Such an adjustment clause is regarded as an adequate means to bring about the FRAND conformity of an offer extending to a patent pool in order to compensate for a possible imbalance between the fixed license fee and the variable subject-matter in the event that the existence of the pool changes (OLG Düsseldorf, order of 17 November 2016, docket no. I-15 U 66/15, para. 32, juris; Kühnen, *ibid.*, Chapter E., para. 419), for example by expiry of the term of protection of pool patents or their final destruction. However, it is also possible to compensate an inappropriate amount of royalties invested in the variability of the intellectual property right portfolio by other mechanisms (OLG Düsseldorf, *ibid.*).

That is the case here.

The contractual clause in Section 4.9,



"The licensee and the license administrator acknowledge that the license fees payable do not increase or decrease because the number of licensed AVC patent portfolio patents increases or decreases or because the prices of AVC license products increase or decrease, determines the license fees regardless of the number of pool patents. The clause implies that the licensor assumes the risk of increasing the pool patents and the licensee assumes the risk of minimising them. According to the plaintiff, the clause takes into account the temporal development of the patent pool, according to which a smaller number of patents is to be expected, in particular at the beginning and at the end of the term, while a larger number of patents is stored in the pool.

The fact that this is a compensatory mechanism in line with interests is expressed on the one hand in the fact that the standard license agreement has been accepted in this form by the licensees (cf. lit. (a), (bb), (aaa)), and on the other hand in the fact that the risk thus distributed has so far only been realised with regard to the licensor. This is because license fees have not been increased since the pool joined in 2004, even though the number of patents has risen from 41 to over 5,000.

(f)

Furthermore, the objection that only a group-wide license is offered under the standard license agreement does not lead to an inappropriateness of the license agreement offer.

Group-wide license agreements are common in the electronics and mobile communications sectors (Kühnen, *ibid.*, Chapter E., para. 411), which is also confirmed here by the fact that MPEG LA has already concluded group-wide license agreements following the plaintiff's submission for the AVC/H.264 standard. The defendant did not sufficiently oppose this submission even after the license agreements had been submitted (cf. lit. (a), (bb)).

e)

The defendant has not made use of its right to make a counteroffer in accordance with FRAND principles in the event of a FRAND-compliant offer by the patentee.

The counteroffer submitted to the plaintiff with the statement of defence of 03 November 2017 (Annex B2/ Annex B2a) proves not to comply with FRAND. It is therefore irrelevant whether this offer has to be taken into account at all because of its late submission.

aa)



If the defendant requests the granting of a portfolio license with its counteroffer, i.e. a license solely to the plaintiff's patents essential for the use of the AVC/H.264 standard, this contradicts FRAND principles.

The plaintiff's request to conclude a pool license proves to be fair and reasonable (cf. lit. d), bb), (2), (b)). The plaintiff has also argued that, since the pool was created, no licensee has applied for a license limited to its pool patents. The defendant, on the other hand, argues that the pool members refused an individual portfolio policy, but does not associate this simple allegation with any factual evidence justifying that allegation.

The standard license agreement (Annex K10 - Exhibit G - a) also does not oblige the pool members to grant licenses limited to their portfolio in deviation from this licensing practice.

Such a duty does not follow from the following passage of the preamble:

"Each Licensor hereby agrees to grant to any individual, company or other entity individual licenses or sublicenses under all AVC Essential Patents on fair, reasonable and non-discriminatory terms and conditions under the terms and conditions set forth herein, which may be granted by Licensor (without payment to any third party).

This passage merely reproduces the respective declaration of the pool patent holders to grant a license on FRAND terms, without already establishing a certain – FRAND-compliant type of licensing. This is also reflected in the fact that the passage refers to the standard license agreement, which provides precisely for the regulatory model of a pool patent license.

An obligation of the pool patent holders to grant portfolio licenses does not arise from the fact that the preamble of the standard license agreement continues:

"Nothing in this Agreement prohibits any individual licensor from licensing or sublicensing the rights under any of AVC's essential patents to manufacture, use, sell or offer for sale, including without limitation the rights granted under AVC's patent portfolio license.

This passage makes it clear that although the members of the pool retain the possibility of granting separate licenses to their portfolio, under which aspects - if interpreted in accordance with the applicable law of the State of New York - an obligation arises vis-à-vis license seekers to actually grant such licenses is not apparent. The defendant does not take any action in that regard either.



Even from the point of view of appropriateness, it is not clear why the defendant only needs a license limited to the plaintiff's portfolio - for example, because only these are used in the challenged designs. In contrast, the defendant strives for the granting of portfolio licenses also in the parallel proceedings against other pool members in each case.

Against the background of the established licensing practice in the form of a pool patent license, it is finally also questionable for reasons of non-discrimination if the plaintiff grants licenses for its portfolio alone in isolated cases - without recognisable objective reason (on this argumentation, however, in the relationship between portfolio license and individual license, see also LG Düsseldorf, decision of 31 March 2016, docket no. 4a O 73/14, para. 227, juris).

bb)

The defendant's counteroffer also proves to be FRAND-infringing against the background that (under point 4.1) it differentiates the license amount according to different regions without this being sufficiently related to the actual market conditions.

Based on the fee regulations proposed in Section 4.1, the unit licenses for products used outside the USA/EU are lower than the unit licenses for the USA/EU. The unit licenses for the EU are thus around 1.8 times the fees estimated for "China and other countries", while the unit licenses for the USA are around 7 times the unit licenses estimated for "China and other countries".

The defendant has - as it itself states - taken into account the fact that the Chinese market is a market in which the purchase price achievable with smartphones is lower than in the USA/EU when assessing these license fees. It has also taken into account that patent enforcement in China is difficult.

This proves to be inappropriate from two points of view.

First, it has not been conclusively demonstrated that the Chinese market is a low-priced mobile telephony market (see also (d), (bb), (2), (a), (bb), (bbb), (ii)), and, moreover, in a proportion which justifies a '50 % correction'. Furthermore, the defendant does not give any reasons why, in addition to China, the approach of a lower license rate is justified in all other countries outside the USA and the EU. This proves to be all the more doubtful as the defendant itself qualifies "Japan" as a high-priced market alongside the USA. In any event, this approach can no longer be justified on the basis of a generalisation of market conditions acceptable in the case of pool patents. For the defendant itself identifies



precisely the different market conditions as a criterion for differentiation in the license levels, but then - in contradiction to this - combines a low-priced market with a high-priced market after her presentation.

cc)

Explanations as to why the license agreement has retroactive effect - already from 01 January 2017 - are completely lacking, which is why the FRAND compliance is not sufficiently demonstrated in this respect either.

f)

Since the defendant assessed the security provided by it on the basis of the license fees stipulated in the counteroffer and these prove to be unreasonable (cf. e), bb)), the security provided is also insufficient for this reason alone. In the absence of a FRAND-compliant counteroffer, however, this may be left out in the present case, as may the fact that the amount of USD 324,870.00 provided for security purposes does not result comprehensibly from the accounts submitted (Annex B55; German translation: Annex B55a).

[...]

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