



Federal Court of Justice

KZR 36/17

Decision of 5 May 2020

Ruling

On appeal by the plaintiff, the judgment of the 15th Civil Senate of the Düsseldorf Higher Regional Court of 30 March 2017 is set aside, whilst rejecting the defendant's subsequent appeal on the point of costs, to the extent that the Court of Appeal found to the plaintiff's disadvantage and the judgment of the 4a Civil Chamber of the Düsseldorf Regional Court of 3 November 2015 is not ineffective on the basis of the parties' concurring declarations of lack of need for adjudication (injunctive relief). [...]

Grounds

[...]

II.

- 47 The conclusion of the Court of Appeal that the conviction of the defendants to be ordered to destroy and recall infringing products would nevertheless be unsuccessful because the defendants' objection to a compulsory license under antitrust law is currently applies and the claim for damages and information is therefore only justified to a limited extent, does not pass a review according to the law of appeals.

(1)

- 48 The Court of Appeal essentially stated in the grounds of its decision: The plaintiff has a market-dominating position on the market within the meaning of Article 102 TFEU. A mobile telephone without GPRS access is not competitive. The judicial enforcement of the aforementioned claims is an abuse of this dominating position in accordance with the principles established by the Court of Justice of the European Union in the Huawei/ZTE case. Although the plaintiff already fulfilled its duty of to notify prior to the



trial, he did not make the defendants a FRAND offer despite its declared and continued willingness to license prior to the trial.

- 49 It is true that the declaration of the willingness to license was made only about one year after the plaintiff's first notice of infringement. However, this was harmless. The failure of a party to take a necessary step in due time does not entail any material preclusion; the step in question can in any case be taken before the action is filed. Nor have any circumstances subsequently arisen which would give rise to the assumption that the willingness of the defendant or its parent company to license had ceased to exist in the meantime.
- 50 The offers submitted by the plaintiff constitute evidence of discrimination against the defendant. The plaintiff treats the defendants with its license offers to one of its licensees, a state-owned Chinese company, unequally with regard to the amount of the license fees without a valid objective reason. In relation to the standard license agreement which the plaintiff publishes on its website, the license offers do not provide the defendants with a discount, neither for the past nor for the future. On the other hand, the third party license agreement provides for a discount compared to the standard license agreement, which leads to the fact that the defendants pay many times higher license fees for the past and for the future. The immensely high differences were not objectively justified either as quantity discounts customary in the industry or because of the influence of the Chinese authorities on the conclusion of the third license agreement. Further particularities such as the status of the third party licensee as a reference customer, the special distribution of risk in the lump sum license agreement as well as the deviating procedural situation with regard to the prospects of success in the enforcement of the patent in suit could not justify the high level of the granted discount, neither in itself nor in the required overall consideration. Nor could the plaintiff successfully rely on the fact that the defendants showed no interest in conducting a license agreement on the basis of lump-sum payments. There is not sufficient evidence that the defendants generally rejected lump-sum payments. In the absence of a FRAND offer by the plaintiff, the question of whether the defendant's counter-offers comply with FRAND conditions is not relevant.
- 51 On the other hand, the enforceability of the claims for rendering information and accounts as well as compensation for damages remains unaffected on the merits. However, the amount of damages to be paid is limited to that which results from the application of the license analogy. As long as the license seeker fulfils his obligations, he/she only owes damages on the basis of a FRAND license fee. Therefore, the accounts



must also include only such data which are necessary for the determination of damages under that methodology. Information on costs and profit is not required for this purpose and the claim is currently unfounded in this respect as well.

2.

52 The appeal rightly challenges the assumption of the Court of Appeal that the applicant is guilty of abuse of a market-dominating position under Article 102 TFEU.

a)

53 Without success, however, the appeal challenges the affirmation of the plaintiff's norm addressee status under Article 102 TFEU by the Court of Appeal.

aa)

54 During the term of protection of the patent, the plaintiff held a market-dominating position derived from the patent.

(1)

55 The Court of Appeal correctly held that the market-dominating position within the meaning of Article 102 TFEU is the economic power of a company which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors and customers (ECJ, judgment of 14 March 2002 in Case T-149/98, ECR I-143, paragraph 1). February 1978, Case 27/76 [1978] ECR 207, paragraphs 63/66 = NJW 1978, 2439, 2440 - United Brands v Commission; judgment of 19 April 2012 - C-549/10 P, WRP 2012, paragraph 680. 38 - Tomra; FCJ, order of 16 January 2007 - KVR 12/06, BGHZ 170, 299 marginal 19 - National Geography II; judgment of 24 January 2017 - KZR 47/14, WRP 2017, 563 marginal 25 - VBL equivalent II).

(2)

56 As the Court of Appeal has not disregarded, the market-dominating position of the plaintiff does not follow from the fact that, by virtue of the exclusive right conferred on it, he/she was able to exclude any third party from using the technical teaching of the patent in suit. The mere exclusive rights to which the owner of an intellectual property right is entitled cannot in create the market-dominating position (ECJ, judgment of 6



April 1995 - C-241/91, ECR 1995, I-743 = EuZW 1995, 339 marginal no. 46 - Magill TV Guide; FCJ, judgment of 13 July 2004 - KZR 40/02, BGHZ 160, 67, 74 - Standard bung barrel).

(3)

57 A market-dominating position generally results from the combination of several factors, each of which need not be decisive in itself (ECJ, NJW 1978, 2439, 2440 - United Brands v Commission). In this context, the definition of the relevant market is of major importance (ECJ, judgment of 26 November 1998 - C-7/97, ECR 1998, I-7791 = WRP 1999, 167 marginal no. 32 - Oscar Bronner v Mediaprint; BGHZ 160, 67, 73- Standard bung barrel). The determination of a relevant supply market basically follows the demand market concept. According to this concept, the relevant product or service market comprises all products or services which, due to their characteristics, are particularly suitable for satisfying a constant demand and are only to a small extent interchangeable with other products or services (see ECJ, ECR 1998, I-7791 marginal no. 33 - Oscar Bronner/Mediaprint; BGHZ 160, 67, 73 f. - Standard bung barrel). If an industrial standard (as in this case) or another set of rules (de facto standard) which is apprehended by consumers like a standard prescribes a standardised design of a product which is protected by intellectual property rights and which cannot be substituted by another product from the point of view of the opposite side of the market, the granting of rights which enable potential suppliers of this product to bring it onto the market in the first place regularly constitutes a separate market upstream of the product market (BGHZ 160, 67, 74 - Standard bung barrel; see ECJ, judgment of 29 January 1998, pp. 33 - Oscar Bronner v. Mediaprint; BGHZ 160, 67, 73 et seq. April 2004 - C-418/01, ECR 2004, I-5039= WRP 2004, 717 para. 44 - IMS Health).

(4)

58 The assumption of such an independent license market thus first of all requires the statement that the patent is essential to the standard, i.e. that the use of the patent-protected teaching is indispensable for the implementation of a standard (standardised by a standardisation organisation or enforced on the market) (BGHZ 160, 67, 74 - Standard Bung barrel), so that it is usually technically impossible to circumvent it without losing important functions for the product market (cf. ECJ, WRP 2015, 2783 marginal 49 - Huawei/ZTE; European Commission, decision of 29 April 2014 - C (2014) 2892 marginal 52 - Motorola). Furthermore, a prerequisite for an independent license market is that the technical teaching corresponding to the patent and the standard is not substitutable by another technical design of the product (see ECJ, ECR 2004, I-5039 marginal 28 - IMS Health; BGHZ 160, 67, 74 - Standard-Bung barrel).



(5)

59 The patent in suit is an essential standard patent. As explained (marginal 36 ff.), a mobile station which complies with the GPRS standard necessarily makes use of the features of claim 12 of the patent in suit. The specifications are mandatory, as the court of appeal has found without objection by the parties. Thus, it is decisive that the use of the technical teaching according to the patent cannot be substituted by a different technical design of the mobile stations (see BGHZ 160, 67, 74 - Standard-Bung barrel). According to the findings of the Court of Appeal, which were not objected to, compliance with the GPRS standard is also mandatory for every mobile station. Switching to another technology, in particular to the previous version of GPRS (GSM) or to the successor standards (UMTS or LTE), is not possible because the previous version does not provide fast, competitive data transmission and sufficient network coverage for the successor standards is not always guaranteed. A mobile phone without GPRS is therefore not competitive, and a device conforming to the standard is therefore not substitutable with a non-standard mobile phone from the point of view of the counterparty.

60 According to the unobjected findings of the Court of Appeal, this also applies in particular to the technology in question here. Mobile devices that do not allow a negotiation on the data rate in the sense of the claim patent require a multitude of carrier services. The available higher transmission speeds cannot be used in this way, so that mobile devices without the standard essential and patentable technology are too slow compared to mobile devices with this technology.

bb)

61 The Court of Appeal did not fail to recognise that, despite the access barrier provided by the standard - and the resulting monopoly position on the licensing market relevant here - there may be exceptional reasons which may exclude the market dominance of the holder of a patent essential to the standard (cf. England and Wales Court of Appeal, judgment of 23 October 2018, [2018] EWCA Civ 2344 marginal 225 f - Unwired Planet v Huawei; Meyer in: 80 Jahre Patentgerichtsbarkeit in Düsseldorf, pp. 377, 389). However, neither the parties' submissions nor the circumstances of the case have provided any evidence to support this. On the other hand, the appeal is unsuccessfully arguing that the Court of Appeal failed to recognise that a significant countervailing power of patent users limits market power.

(1)



62 The decisive factor in determining whether a market-dominating position of the plaintiff can be affirmed is not its bargaining power vis-à-vis a particular party, but the economic power which the plaintiff's patent confers on it vis-à-vis the entire market. Contrary to the view of the appeal, the market power in the granting of patent licenses is thus not to be determined relatively, namely with regard to the strength relationship between a concrete license seeker and the patentee.

(a)

63 It is true that the structure of the demand market for patent licensing is different from that for goods and services. While in the latter case the demanders depend on a contract with the supplier with market power in order to have access to the goods and services, the patent user is able to use the patent-related teaching disclosed in the patent and in the standard even without an agreement with the patent holder. However, contrary to the plaintiff's view, it does not follow from this that market power of the owner of a standard essential patent can only exist if the risk of a legal claim against an infringer is so high that the infringer is typically willing to conclude a license agreement on conditions which are considerably less favourable than would be the case under market conditions. This is because the structurally superior power position of the patentee does not result from his negotiating power when negotiating license conditions, but rather from the legal possibility to demand that third parties do not bring or remain on the market any products conforming to the invention, to prevent this if necessary by an action for injunction, recall of the products and destruction and thus to reserve the manufacture of these products for himself (or a licensee) (cf. ECJ, WRP 2015, 1080 marginal no. 52 - Huawei/ZTE). A barrier to market access already results from the fact that these legal obstacles make it unreasonable for any company to operate on the market without prior licensing (cf. ECJ, judgment of 29 April 2004 - C-418/01, ECR 2004, I-5039 = WRP 2004, 717 para. 28 - IMS Health).

(b)

64 Although it is obvious that the restriction of the claims of the owner of a standard essential patent resulting from the patent infringement considerably weakens his negotiating position, since he has only limited access to the means of pressure necessary for equal license negotiations. This may have an effect in particular in cases where the infringer tries to delay the conclusion of negotiations until the patent has expired ("patent hold-out" or "reverse patent hold-up", cf. Opinion of Advocate General Wathelet of 20 November 2014 - C-170/13, juris para. 42). However, this cannot fundamentally call



into question the patent proprietor's dominating position on the market, but must (only) be taken into account in the assessment of the misuse of the judicial assertion of the patent when weighing up the interests of both sides - which is always necessary. For only the assessment of the behaviour of a patent holder as an abuse legitimises the restriction of his rights and leads to a restriction of the enforceability of a patent.

(2)

- 65 However, the market-dominating position of the holder of a standard essential patent exists only to the extent and for as long as he can prevent, on account of his legal position, products conforming to the patent from entering or remaining on the market (ECJ, WRP 2015, 1080 marginal no. 52Huawei/ZTE). This legal position regularly is dropped after the expiry of the term of protection of the respective patent, since claims against patent infringers directed into the future are excluded. Admittedly, the expiry of the term of protection only leads to the complete loss of the claims to destruction and recall under Sec. 140a (4) Patent Act in the case of disproportionality within the meaning of Sec. 140a (1), (3) Patent Act. Otherwise, the claims are limited to such products which the infringer had been in possession or ownership until then or which had been manufactured and delivered until then (Grabinski/Zulch, in: Benkard, Patentgesetz, 11th ed., Sec. 140a Patent Act marginal no. 9, 16; Kühnen, GRUR 2009, 288, 291). This follows from the fact that the purpose of the claims mentioned is not limited to the elimination of the consequences of a (continuing) patent infringement, but that Sec. 140a Patent Act establishes independent claims which also have a general and special preventive deterrent effect and should have a sanctioning character (Draft Act on Combating Product Piracy, BT-Drucks. 11/4792, 27 et seq.; Kühnen, GRUR 2009, 288, 292). However, once the property right has lapsed, the patent proprietor can no longer generally prevent products that are in accordance with the invention from being put on the market. Thus, the structurally superior power position of the patentee no longer applies.

cc)

- 66 According to Art. 102 TFEU, the dominating position must - as the Court of Appeal has not disregarded - exist in the internal market as a whole or at least in a substantial part of it (ECJ, Judgment of 9 November 1983 - Case 322/81, ECR 1984, 3461 marginal 103 - Michelin v Netherlands; Judgment of 26 November 1998 - C-7/97, WRP 1999, 167 marginal 36 - Oscar Bronner v Mediaprint).

(b)



67 However, the findings made by the Court of Appeal do not justify the assumption that the plaintiff abused his market-dominating position.

aa)

68 The action of a market-dominating patent holder who undertook vis-à-vis a standardization organization to grant licenses on FRAND terms may constitute an abuse of his dominating position if and to the extent that it is suitable to prevent products corresponding to the standard from entering or remaining available on the market (ECJ, WRP 2015, 1080 marginal 54 et seq. - Huawei/ZTE; BGHZ 180.312 marginal 22 et seq. - Orange Book Standard). According to claims for injunctive relief (BGHZ 180, 312 marginal 22 - Orange Book Standard), recall and removal of products from the distribution channels (ECJ, WRP 2015, 1080 marginal 73 - Huawei/ZTE) or destruction (OLG Düsseldorf, GRUR 2017, 1219 marginal 220; OLG Karlsruhe, GRUR 2020, 166 marginal 87) may be abusive.

(1)

69 Even the owner of a standard essential patent, however, is not per se prohibited from enforcing his patent on the product market by asserting injunctive and other claims (ECJ, WRP 2015, 1080 marginal no. 46 - Huawei/ZTE). For the standard essentiality does not alter the fact that the patent proprietor only has to tolerate the use of his patent if he has either allowed the person who makes use of his technical teaching to do so or, in any event, must allow him to do so, in compliance with his obligation not to abuse his market power (see ECJ, WRP 2015, 1080 marginal 53, 58 - Huawei/ZTE).

(2)

70 In turn, the obligation to license presupposes that the person who intends to use or has already used the patent and has already brought patentable products onto the market although he does not have a license is also prepared to take a license on this patent on reasonable and non-discriminatory terms (ECJ, WRP 2015, 1080 marginal 54 Huawei/ZTE; BGHZ 180,312 marginal 27 - Orange Book Standard). Even the patent holder with market power does not have to impose the taking of a license on anybody and has no legal means to do so, since although the potential licensee can demand that he conclude a license agreement, the patent holder, on the other hand, is not entitled to such a claim, but is rather advised to enforce claims for patent infringement against anyone who uses the



teaching in accordance with the invention but does not wish to conclude a license agreement for this.

(3)

- 71 It therefore constitutes an abuse of the dominating position if the patent proprietor asserts claims for injunction, destruction and recall of products although the infringer made an unconditional offer to conclude a license agreement on conditions which the patent proprietor may not refuse without infringing the prohibition of abuse or discrimination (BGHZ 180, 312 marginal no. 27, 29 - Orange Book Standard).

(4)

- 72 In addition, however, the assertion of such claims by way of an action may also be considered abusive if the infringer has not (yet) agreed to conclude a license agreement on certain reasonable terms, but the patent proprietor is to be blamed for not having made sufficient efforts to meet the special responsibility associated with the dominating position on the market and to enable an infringer who is in principle willing to license to conclude a license agreement on reasonable terms (cf. ECJ, WRP 2015, 1080 marginal no. 54 ff. - Huawei/ZTE).

(a)

- 73 Therefore, the patent holder must first notify the infringer of the infringement of the patent in suit if the infringer is not aware that by implementing a technical solution required by the standard he is unlawfully making use of the teaching of the patent in suit (ECJ, WRP 2015, 1080 marginal 60-62 - Huawei/ZTE).

- 74 It is in principle the infringer's responsibility to ensure that no technical property rights of third parties are infringed before commencing the manufacture or distribution of a technical product (FCJ, judgment of 19 December 2000 - X ZR 150/98, GRUR 2001, 323, 327 - Temperature monitor). However, in view of the large number of patents which may affect a product, especially in the field of information and telecommunications technology, it is regularly very difficult to obtain a complete and reliable overview of all relevant property rights, especially since this may require a more detailed examination of the subject matter and scope of protection of a large number of patents in individual cases (cf. ECJ, WRP 2015, 1080 marginal no. 62 - Huawei/ZTE). In contrast, the patent holder who wishes to bring a claim against the (alleged) infringer on the grounds of patent infringement has already examined the infringement allegation. In addition, the



manufacturer of a standard-compatible product may expect that he may use the teaching of a standard essential patent anyway - even if only on the basis of a license agreement on reasonable terms (ECJ, WRP 2015, 1080 marginal 53, 64 - Huawei/ZTE). The market-dominating patent holder may therefore not seek injunctive relief from the infringer who is unaware of the infringement without informing him of the infringement of the patent in suit and thus giving him the opportunity to assert his claim to conclude a license agreement on reasonable terms and thus avert the enforcement of the patent holder's right to injunctive relief (cf. ECJ, WRP 2015, 1080 marginal no. 71 - Huawei/ZTE).

(b)

- 75 Furthermore, the dominating patent holder may be prohibited from seeking an injunction from the infringer who has been informed of the infringement of the patent in suit if the infringer declared that he wishes to take a license on the patent in suit but is unable, or in any case is unable, to formulate on his own initiative the conditions which the patent holder must grant him in compliance with the prohibition of discrimination and obstruction applicable to him (cf. ECJ, WRP 2015, 1080 marginal no. 63 f. - Huawei/ZTE).
- 76 Although it is in principle up to the company seeking a license to object to a license claim of the patent holder, this would violate the prohibition of discrimination or obstruction, the principles on the burden of proof and demonstration in proceedings also apply to the parties' out-of-court obligations. The burden of proof for unequal treatment and obstruction is also borne by the license seekers in proceedings, whereas the patent holder bears a primary burden of proof for an objective reason for unequal treatment (Art. 2 of Regulation 1/2003). As in the case of a procedural secondary burden of proof, the patent holder may, however, be obliged to substantiate his license claim in detail in order to enable the person seeking a license to verify whether the license claim constitutes an abuse of the dominating position due to the amount of the license fee or other conditions of the license offered. Otherwise, the company seeking a license would be forced to either run the risk of being ordered to cease and desist from the patent infringement action of the patent owner or to accept a potentially abusively excessive royalty claim or other potentially abusive contractual terms in order to safely exclude the risk of a cease and desist order.
- 77 The obligation of the dominating patentee to explain and justify the licensing conditions which he considers as fair, reasonable and non-discriminatory (FRAND) is not only, but particularly important if the patentee is not willing to grant a license only on the patent



which he intends to claim, if necessary by way of an action, but wants to allow the use of this patent only within the framework of a portfolio license or other license agreement comprising further property rights.

78 In any case, such a linkage with other intellectual property rights is in principle unobjectionable under antitrust law insofar as it is not linked to claims which oblige the licensee to make payments for the use of non-essential patents and the remuneration is calculated in such a way that users who would like to develop a product for a specific, geographically limited area are not disadvantaged (cf. Communication of the European Commission on the handling of essential standard patents by the EU of 29 November 2017, COM [2017] 712 final p. 9). This is because even the market-dominating patent holder does not have to accept that the infringer, in order to defend himself against an action for an injunction, only wants to take a license for the patent in suit, but not for the other patents which he also needs for the lawful manufacturing or distribution of a product which complies with the standard. Negotiations on worldwide portfolio licenses are therefore common practice and, from an efficiency point of view, also benefit the user of the licensed intellectual property rights (Communication of the European Commission of 29 November 2017, COM [2017] 712 final p. 9). At the same time, however, the inclusion of a possibly large number of additional patents increases the complexity of the issue, which is relevant for the examination whether the contractual terms required of the patent holder are in line with the obligations arising from his dominating position. The patent holder must therefore also provide sufficient information to the infringer seeking a license in this respect.

(c)

79 To what extent, to what degree of detail and at what time the information to be requested from the patentee is required is a question of the individual case and depends in particular also on the respective reaction of the infringer (cf. ECJ, WRP 2015, 1080 marginal 65 ff. Huawei/ZTE).

80 Since the special obligations of conduct imposed on the dominating patent holder are intended to enable the infringer to make lawful use of the patent by concluding a license agreement on FRAND terms and thus to avert the assertion of a claim for injunctive relief, the obligations of the patent holder do not, in any event, differ in favour of the infringer from those which also affect the patent holder in other respects by virtue of his dominating position vis-à-vis a company seeking a license. Otherwise, by using the patent without concluding a license agreement, the infringer could gain an advantage in



competition with those companies which use or intend to use the patent on the basis of a license agreement on reasonable and non-discriminatory terms.

- 81 What constitutes reasonable and non-discriminatory terms and conditions of a license agreement in a particular case usually depends on a variety of circumstances. As in other cases of (possible) abuse of a dominating position, the dominating patentee is not in principle obliged to grant licenses in the manner of a "uniform rate" which grants equal conditions to all users (BGHZ 160, 67, 78 - Standard bung barrel). Nor does such an obligation arise from the FRAND Self-Commitment Statement. This serves to guarantee actual access to the standardisation rule (cf. European Commission, Horizontal Guideline, ABI. EU C 11, 1 marginal 285, 287). With regard to the prohibition of discrimination, this purpose is satisfied if the conditions set out in Art. 102 para. 2 letter c TFEU and Section 19 (2) no. 3 Restriction of Competition Act, are observed. The prohibition of second-degree discrimination, i.e. discrimination against the trading partners of a dominating company on the upstream or (in this case) downstream market (Opinion of Advocate General Wahl of 20 December 2017- C-525/16, juris marg. 74), protects against the distortion of competition between trading partners through discriminatory conditions (ECJ, judgment of 19 April 2018- C-525/16, WuW 2018, 321 marginal no. 24 - MEO; BGHZ 160, 67, 79- Standard-Bung barrel; FCJ, judgment of 12 April 2016 - KZR 30/14, NZKart 2016, 374 marginal no. 48 - Net Cologne). Furthermore, the commitment under antitrust law and the limitation of the scope of action of the dominating company in the vertical relationship aims at enabling negotiation results which are not influenced by the dominating company and which take into account the interests of both contracting parties in a balanced way. Since appropriate conditions for a contractual relationship, in particular an appropriate price, are regularly not objectively determined, but can only be determined as the result of (possibly similar) negotiated market processes, the serious and targeted participation of the company seeking a license in the negotiation of appropriate contractual conditions is of decisive importance (cf. ECJ, WRP 2015, 1080 marginal nos. 65-68 - Huawei/ZTE).
- 82 This should be taken into account in particular when considering whether the infringer who is sued under a patent can claim that the patent holder did not allow him to obtain a license on FRAND terms. This is because, in contrast to contractual negotiations which a company wishing to obtain a license before commencing use, the infringer's interest may also be directed - solely or at least primarily - towards delaying the patent holder as far as possible until the expiry of the term of protection of the patent in suit, because he is then no longer threatened with a cease-and-desist order (cf. ECJ, WRP 2015, 1080



marginal no. 65 - Huawei/ZTE). Such conduct is even more attractive from an economic point of view if the licensing of a plurality of patents or a patent portfolio is under consideration, but the patent holder, after the expiry of the patent in suit, only receives damages for the use of that very patent.

- 83 The obligation of the dominating patentee to inform the infringer of the infringement and of the possibility of obtaining a license and to make a license offer to the licensee is not a self purpose but is intended to make it easier for the latter to negotiate reasonable conditions with the patentee for his use. For this reason, according to the first indication, it is not sufficient to justify further obligations on the part of the dominating patent holder if the infringer then merely shows himself willing to consider concluding a license agreement or to enter into negotiations as to whether and under what conditions the conclusion of a contract is possible for him (see Opinion of Advocate General Wathelet of 20 November 2014 - C-170/13 marginal no. 50). Rather, the infringer for his part must clearly and unequivocally declare his willingness to conclude a license agreement with the patent holder on reasonable and non-discriminatory terms and must also subsequently participate in the license agreement negotiations in a targeted manner. The High Court of England and Wales (J. Birss) aptly stated that "a willing /licensee must be one willing to take a FRAND /licence on whatever terms are in fact FRAND" (EWHC, judgment of 5 April 2017, [2017] EWHC 711 (Pat) para. 708 - Unwired Planet v Huawei).

bb)

- 84 The Court of Appeal then held without error of law that the applicant was not guilty of an abuse of its dominating position because it had not sufficiently informed the defendant of the infringement of the patent in suit and of its willingness to license it on FRAND terms.

(1)

- 85 Such notification shall draw the infringer's attention to the infringement and to the possibility and necessity of obtaining a license. It is sufficient in this respect that the patent is designated and the specific act in which the infringement is to take place is indicated. As the Court of Appeal rightly points out, the latter requires - the designation of the type of infringing act and the challenged embodiments. Detailed technical or legal explanations of the infringement allegation are not required; the infringer must only be enabled to form a picture of the justification of the patent infringement allegation - if



necessary with the help of experts or by obtaining legal advice. The presentation of the infringement allegation based on "Claim Charts", which is widely used in practice, is regularly sufficient, but not mandatory.

(2)

86 The Court of Appeal correctly considered that the applicant's infringement notices satisfied those requirements.

87 According to the findings of the Court of Appeal, in a letter dated December 20, 2012, and two further letters from 2013 to the defendant's parent companies, the plaintiff identified the plaintiff's patent with its publication number, among other things, and stated that the Group companies were infringing the plaintiff's patent by manufacturing and selling mobile communications devices that implemented, among other things, the GSM standard. In doing so, the Court of Appeal assumed without legal error that the reference to the GSM standard also included the GPRS extension. There are no indications that the infringement allegation needed further specification with regard to the affected section of the standard. Moreover, the patentee who has named the infringed patent and the relevant standard may expect the infringer to notify within a short period of time if these details do not suffice to identify the infringement allegation. This also applies if - as here - a large number of patents and standards are mentioned.

88 By the first infringement notice in the letter of 20 December 2012, the applicant also indicated that it offered licenses on FRAND terms.

(3)

89 Rightly and without objection by the defendant, the Court of Appeal also considered the reference to the defendant's parent companies to be sufficient.

cc)

90 It does not, however, stand up to audit review, that the Court of Appeal assumed that the plaintiff was abusing its dominating position by bringing an action to enforce the claims to destruction and recall infringing products (which remained after the injunction had been granted because the patent expired), because it did not offer the defendants a license agreement on FRAND terms, and because the terms offered to the defendants were discriminatory. Its findings do not support either the assumption that the plaintiff was obliged to make a concrete offer of a contract because the defendants showed



themselves willing to license, or the further assumption that the contractual terms offered to the defendants were discriminatory.

(1)

91 The Court of Appeal wrongly assumed that the defendants agreed to conclude a license agreement on FRAND terms.

92 The Court of Appeal correctly saw that the defendant's declaration of 12 December 2013, i.e. more than one year after the first infringement notification, did not meet the requirements for an infringer willing to obtain a license in terms of time alone. An infringer who remains silent for several months on the infringement notification thus regularly indicates that he is not interested in obtaining a license. Contrary to the defendant's view, this is not contradicted by the fact that the plaintiff did not submit the FRAND declaration until 10 April 2013. In fact, already with the first infringement notice in the letter dated December 20, 2012, the plaintiff indicated that it offers licenses on FRAND terms.

93 The Court of Appeal nevertheless found that the defendant was willing to license the patent, since a FRAND license agreement issued outside the reaction period assumed by the Court of Appeal but before the action was filed did not result in a substantive preclusion that the "out-of-court licensing procedure" would be continued and that the patent holder would again be obliged to make an offer to the infringer on FRAND terms.

94 It is not clear whether this is to be acceded to successfully, as the appeal is directed against the assumption of the Court of Appeal that the declaration of 12 December 2013 is a sufficient declaration of readiness to license. Nor do the other statements of the defendants and their parent companies, as established by the Court of Appeal, express the defendants' serious willingness to enter into a license agreement on FRAND terms.

(a)

95 Since no further findings in favor of the defendant are to be expected, the Senate can interpret the defendant's declarations itself. However, it is not binding on the court of last resort if it violates statutory or generally recognised rules of interpretation, laws of thought or principles of experience (see FCJ, judgment of 5 October 2006 - III ZR 166/05, MDR 2007, 135). Even taking into account this limited standard of review, the statements of the Court of Appeal are not free of errors of law. The e-mail letter of 17 December 2013 from the IP director of the defendant's parent companies (Annex AR 39) does not satisfy



the requirements for a serious and unconditional willingness to grant a license on FRAND terms (marg. 83 above). It merely expresses the hope that one will enter into a formal negotiation ("We hope to have a formal negotiation with you") and asks for information about a promised discount ("You mentioned that there will be a discount if we sign the license timely. Please let me know the information such as specific discount amount and the current license royalty arrangement ... "). From the plaintiff's objective point of view as a recipient, the defendants did not indicate - and certainly not clearly and unambiguously - that they were prepared to conclude a license agreement on FRAND terms.

(b)

- 96 The Court of Appeal examined the further letters from the IP Director of the defendant's parent companies only from the point of view of whether they gave rise to the assumption that the original willingness to license ceased to exist in the meantime. Since the letter of January 16, 2016 (Annex AR 51) contained the statement that, if German courts finally determined an infringement and the validity of the plaintiff's patent and another patent asserted in a parallel litigation between the parties, one would be willing to take a FRAND license and pay license fees, this statement also did not meet the requirements, as the Court of Appeal correctly stated. This applies irrespective of the question, which was not examined by the Court of Appeal, whether and, if so, to what extent the defendants were allowed to restrict a willingness to license factually and geographically. For according to their letter, the defendants not only wanted to reserve - permissibly (ECJ, WRP 2015, 1080 marginal 69 - Huawei/ZTE) - the possibility to have the question of the use of the patent in suit and its validity clarified by a court, even in the case of a FRAND license agreement, but also only made the declaration of the willingness to license themselves in a limited form. Such a conditional declaration of willingness to license is insufficient (BGHZ 180, 312 marginal no. 32 - Orange Book Standard).

(c)

- 97 To the extent that the Court of Appeal inferred from the letter dated March 23, 2016 (Annex AR 51) transmitted during the appeal proceedings that the defendants had continued to be willing to license, it is again open to question whether and to what extent a willingness to license declared after the filing of the suit (and after a conviction in the first instance) may have an impact on the antitrust assessment of the patentee's conduct. The findings of the Court of Appeal do not indicate a willingness to license in the above mentioned sense. Nor does it result from the content of the letter. Although



there is a statement that one is willing to take a FRAND license, at the same time it is pointed out that one's own position remains unchanged ("To make a long story short, we wish to express that our position remains unchanged, namely that we are willing to conclude a FRAND license and we are of the opinion that our offer is FRAND"; Annex AR 51 p. 3). From the plaintiff's objective recipient's perspective, this could only be understood to mean that the inadmissible condition expressed in the letter of 16 January 2016 should remain.

- 98 In view of the above, it is not necessary to make a final assessment as to whether the letter also expresses in a broader sense a lack of willingness to enter into an open-ended negotiation process and to accept FRAND conditions with whatever content. This is supported by the fact that it insists on its own counter-offer and states that it is not prepared to improve the offer as long as the applicant is not prepared to specify the way in which the other patents in its portfolio are infringed ("As long as you remain unwilling to specify the way in which your patents (except EP504 and EP885) could be infringed ... we are not able to further amend our offer"). From the plaintiff's objective point of view, this indicated at that time that the defendant used delaying tactics. Admittedly, when offering a portfolio license, the patentee must provide the infringer with sufficient information on the patents belonging to the portfolio. However, this obligation does not go beyond what a party must reasonably provide in case of a portfolio license in contract negotiations. As in the notice of infringement, it is sufficient to explain the nature of the respective infringing act and the challenged embodiments. Detailed technical or legal explanations of the use of the respective patent are not required; the infringer must only be enabled to form an impression of the infringement allegation - if necessary with the help of an expert or by obtaining legal advice. In the event of uncertainty as to the justification of the infringement allegation, honest negotiating partners can be expected to enter into a discussion. The plaintiff had already complied with its obligation in a letter dated December 20, 2012. The plaintiff attached a list of the 450 patents belonging to the patent portfolio. The fact that the defendants insisted after more than three years on the formal position that the plaintiff was obliged to submit claim charts for all patents is in any case an indication that the defendants were less interested in a successful conclusion of the negotiations than in further delaying them in view of the near end of the term of the patent in suit. This again applies irrespective of the question left open by the court of appeal whether and, if so, to what extent the defendants were allowed to reject the offered portfolio license, since the patent owner can at least expect an infringer who is in principle willing to license to at least rely on factual grounds for this.



99 It is true that the letter also required the applicant to explain how the license offered had been calculated. However, it may be assumed, in the defendant's favour, that the applicant has not yet fulfilled its obligation in that regard. This obligation existed only after the defendants had expressed their serious willingness to license.

(d)

100 Finally, it is unclear whether the Respondent's counter-offer submitted on January 20, 2017, four weeks prior to the February 16, 2017 appeal hearing date, indicates a willingness to enter into a FRAND License Agreement. At the time this offer was made, the term of protection of the patent in suit already expired. As a result, due to the loss of the dominating market position, the plaintiff not only lacked a norm addressee status within the meaning of Art 102 TFEU and Section 19 Restriction of Competition Act, but it could also no longer allow the defendants to use the subject matter of the patent in suit, which became patent-free, in the future. It was not obliged to retroactively legitimise the acts of infringement.

(2)

101 In the absence of any further consideration, the findings of the Court of Appeal also do not support its assumption that the action constitutes an abuse of the plaintiff's dominating position because the latter demanded discriminatory contractual conditions from the defendant. It is an error of law in assuming that this could not in itself constitute an objective justification for the unequal treatment.

102 Whether there is an objective justification for different prices must be answered on the basis of a weighing of all interests involved, taking into account the objective of antitrust law which is aimed at freedom of competition (BGHZ 160, 67, 77, FCJ, judgment of 7 August 2010 - KZR 5/10, WRP 2011, 257 marginal no. 23 - Entega 11). The fact that a company in a dominating position does not in principle prevent it from protecting its own commercial interests if these are attacked. It must be able to react to such an attack in a reasonable manner, as long as the conduct does not aim at strengthening the dominating position and its abuse (see ECJ, judgment of 16 September 2008- C-486/06, ECR 2008, I-7139 para. 50 - Lelos/GlaxoSmithKline). If it was economically reasonable from the plaintiff's point of view to accept an offer that was in itself inadequate in view of the lack of realistic possibilities for judicial enforcement of her claims and in view of the threat of personal or other economic disadvantages, in order to receive any consideration at all for the use of her property rights and to escape such threats by state



authorities, this may, in the necessary weighing of all interests affected, constitute an objective reason for maintaining her usual terms and conditions vis-à-vis other enterprises, provided that these are objectively appropriate and in particular do not impair the competitiveness of the other enterprises.

[...]

2.

108 Furthermore, the defendants are obliged to pay damages to the plaintiff pursuant to Sec. 139 (2) Patent Act and must provide the plaintiff with the necessary information to enable the plaintiff to quantify its claim for damages. The claims are limited in time because of the expiry of the term of protection. The plaintiff has taken this into account in the appeal proceedings by referring to the requests for infringement actions until September 25, 2016.

a)

109 Without any error of law, the Court of Appeal found that the fault required for the claim for damages in the form of negligence also applied to the period prior to receipt of the first notice of infringement from the plaintiff. This is because the obligation of the owner of a standard essential patent does not change the fact that it is in principle the infringer's responsibility to ensure that the property rights of third parties are not infringed prior to commencing the manufacture or distribution of a technical product (BGH, GRUR 2001, 323, 327 - Temperaturwächter). In view of the large number of patents which may affect a product, particularly in the field of information and telecommunications technology, it is admittedly very difficult to obtain a complete and reliable overview of all relevant property rights (cf. ECJ, WRP 2015, 1080 marginal no. 62 - Huawei/ZTE). However, this information deficit is not due to the patent holder's conduct and therefore does not justify a deviation from the otherwise applicable standard of care.

b)

110 The assumption of the Court of Appeal that the amount of the damages to be paid by the defendants is limited to that which would result from the standard of a licence analogy would not be fully correct, even if the starting point of the Court of Appeal were correct, namely that the plaintiff had abused its dominant position with the action for an injunction.



111 The assertion of a claim for damages for patent infringement does not, as the Court of Appeal does not fail to recognise, in principle constitute an abuse of the patent holder's dominant position, even in the case of a standard essential patent (ECJ, WRP 2015, 1080 marginal no. 74 - Huawei/ZTE). The infringer can therefore only counter the patent proprietor's claim for damages with a claim for damages of his own which is based on the non-fulfilment of his claim to the conclusion of a licence agreement on reasonable and non-discriminatory terms and by virtue of which he can demand to be put in the position he would have been in if the patent proprietor had fulfilled this claim without delay. Such a counterclaim can thus arise only where the infringer requires the patentee to conclude a licence agreement on FRAND terms (initially by indicating his willingness to licence) and the patentee does not react to this in accordance with the obligations imposed on him by his dominant position, either by unlawfully refusing to conclude such a licence agreement (cf. BGHZ 160, 67, 82 - Standard-Spundfass) or by not making an offer on FRAND terms despite the patent infringer's willingness to license.

c)

112 Therefore, a limitation of the plaintiff's claim for damages in this case is completely excluded. At any rate, during the term of protection of the plaintiff's patent, the defendants have, as explained, not sufficiently expressed their willingness to conclude a contract on FRAND terms.

[...]