



KATHER · AUGENSTEIN
RECHTSANWÄLTE

Regional Court Mannheim

2 O 136/18

Judgement of 21.08.2020

[...]

Reasons for the decision

B.

However, due to an objection of abusive under antitrust law, the plaintiff is currently prevented from enforcing the claims for injunction, destruction and recall which arose under Art. 64 EPC in conjunction with Sec. 139, 140a (1), (3) Patent Act due to the established patent infringement. The enforceability of these claims is countered by a dilatory objection under the prohibition under Union law of abuse of a dominant position pursuant to Art. 102 TFEU. The plaintiff abuses its dominant position by enforcing the above-mentioned claims in court because the defendants have made a FRAND counter-offer without the plaintiff being able to assert legitimate interests in the enforcement of its own offer because the plaintiff's offer would not meet FRAND criteria.

In the event of a dispute, the enforcement of the claims is subject to review on the basis of the prohibition of abuse under cartel law.

The plaintiff is the addressee of the norm within the meaning of the German Civil Code. Article 102 TFEU. On the basis of the facts presented by the defendants and not disputed by the plaintiff (statement of 14 November 2018, marginal no. 91), the defendants are legally correct in assuming that the plaintiff has a dominant position on the relevant market for the granting of certain rights which are absolutely necessary for successful



participation in competition in the field of mobile telephones on account of the prevailing standards.

II. In any event, in the case of a dominant position of a patent holder, Art. 102 TFEU imposes restrictions on the enforceability of a claim for injunctive relief in court.

A claim brought by a market dominant patentee who has given a commitment to a standardisation organisation to grant licences on FRAND terms may constitute an abuse of his dominant position if and in so far as it is liable to prevent products conforming to the standard from entering or remaining on the market (CJEU 16.07.2015 - C-170/13 marginal 54 et seq. = GRUR 2015, 764 - Huawei/ZTE; FCJ, judgment of 05.05.2020, KZR 36/17 marginal 68 -FRAND objection; FCJ, judgment of 06.05.2009, KZR 39/06 marginal 22 et seq, FCJZ 180, 312 -Orange-Book-Standard). According to this provision, applications for injunctions, recall and removal of products from the distribution channels or for destruction may be abusive (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 68 - FRAND objection; FCJ, judgment of 6 May 2009, KZR 39/06 marginal no. 22 et seq. 68 - FRAND objection; HRC Karlsruhe, judgement of 30.10.2019, 6 U 183/16 marginal 87, GRUR 2020, 166 - data packet processing; HRC Düsseldorf, judgement of 30.03.2017, I-15 U 66/15 marginal 220, GRUR 2017, 1219 - mobile communication system).

The holder of a standard essential patent, however, is not simply prohibited from enforcing his patent on the product market by asserting injunctive relief and other claims (CJEU, loc. cit. para. 46, 53, 58 - Huawei/ZTE; FCJ, judgement of 05.05.2020, KZR 36/17 para. 69 - FRAND objection) This is because 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 its technical doctrine to do so or, in any case, must allow him to do so while observing his obligation not to abuse his market power.



KATHER · AUGENSTEIN
RECHTSANWÄLTE

There is no abusive enforcement of the right to an injunction in the above sense if, first, the proprietor of the patent has informed the alleged infringer, before filing a claim, of the infringement of the patent for which he is accused, designating the patent in question and indicating the manner in which it is alleged to have been infringed and, second, after the alleged infringer has expressed his willingness to conclude a licence agreement on FRAND terms, made to the latter a specific written offer of a licence on those terms and conditions and, in particular, indicated the licence fee and the manner in which it would be calculated, and the infringer, while continuing to use the patent in question, failed to respond to that offer with due care, in accordance with accepted commercial practice in the sector concerned and in good faith, which must be determined on the basis of objective factors, and implying, inter alia, that no delaying tactics will be pursued (CJEU, *ibid.* para. 71 - Huawei/ZTE). If the alleged infringer does not accept the offer made to him, he can only invoke the abusive character of an action for an injunction or recall if he makes a concrete counter-offer to the owner of the SEP concerned in writing within a short period of time, which complies with the FRAND conditions (CJEU, *ibid.* para. 66 - Huawei/ZTE). In addition, if the alleged infringer uses the standard essential patent before a licence agreement has been concluded, the alleged infringer must, from the time his counter-offer is rejected, provide adequate security in accordance with accepted business practice in the relevant field, for example by providing a bank guarantee or depositing the necessary amounts. The calculation of such security must include, inter alia, the number of past acts of use of the essential standard patent for which the alleged infringer must be able to provide a statement of account (CJEU, *ibid.* paragraph 67 - Huawei/ZTE).

The programme of obligations presupposes that the person who intends to use or has already used the patent and has already placed patent-compliant products on the market although he does not have a licence is also prepared to take a licence on the patent on reasonable and non-discriminatory terms (CJEU, WRP 2015, 1080 para. 54 - Huawei/ZTE; FCJ, judgment of 5 May 2020 - KZR 36/17, para. 70 - FRAND objection; FCJZ 180, 312 para.



27 - Orange Book Standard). Even the patent holder with market power does not have to impose the taking of a licence on anyone and has no legal means to do so, since although the potential licensee can demand the conclusion of a licence agreement from him, the patent holder, on the other hand, is not entitled to such a claim.

Conversely, the patent proprietor, for his part, must make sufficient efforts to meet the special responsibility associated with the dominant position and to enable an infringer who is in principle willing to license to conclude a license agreement on reasonable terms (FCJ, judgement of 5 May 2020, KZR 36/17 marginal no. 72 - FRAND objection). It therefore constitutes an abuse of the dominant position if the patent holder asserts claims for injunction, destruction and recall of products although the infringer - after having given notice of the infringement and having declared his unconditional willingness to license - has made an unconditional offer to conclude a license agreement on terms which the patent holder may not refuse without violating the prohibition of abuse or discrimination (FCJ, judgement of 5 May 2020, KZR 36/17 marginal no. 72 - FRAND objection).05.2020 - KZR 36/17, marginal 71 - FRAND objection; FCJZ 180, 312 marginal 27, 29 - Orange Book Standard).

According to these standards, there is an abuse by the plaintiff to the detriment of the defendant because the plaintiff - after being informed of the infringement (see III. 1) and after the defendant's declaration of readiness to license (see III. 2) - asserts claims for injunction, recall and destruction despite a counter-offer by the defendant which satisfies FRAND criteria, without being able to rely primarily on its own offer in the dispute because it does not satisfy the FRAND criteria (see III. 3).

Sufficient information from the plaintiff regarding the infringement of the plaintiff's patent was first provided to the defendant's parent company by letter dated 1 February 2016 (Exhibit K 20, p. 1 et seq.).



(a) Such a notice should draw the infringer's attention to the infringement and to the possibility and necessity of obtaining a licence. It is sufficient to identify the patent and to indicate the specific act of infringement. The latter requires the designation of the type of infringing act and the contested embodiments. Detailed technical or legal explanations of the infringement allegation are not required; the infringer must only be put in a position to form a picture of the justification of the patent infringement allegation, if necessary with expert assistance or by obtaining legal advice. The presentation of the infringement allegation by means of "Claim Charts", which is widely used in practice, is usually sufficient but not mandatory (FCJ, judgement of 05.05.2020 - *ibid.*, marginal no. 85 - FRAND objection).

b) On the basis of the foregoing, the plaintiff's letter of 1 February 2016 (only) satisfies the above requirements. It is undisputed that the previous correspondence did not contain any reference to the infringement of the patent in suit. Rather, the defendant's parent company was generally requested to enter into licensing negotiations for a worldwide license to the plaintiff's patent pool. As an example, the plaintiff referred to the alleged infringement of two U.S. patents alone, in particular in letters dated 2014. Only the letter of 1 February 2016 (Exhibit K 20, p. 1 et seq.) contained a reference to the plaintiff's patent and the alleged acts of infringement, whereby the infringement was additionally presented by means of so-called "claim charts" (Exhibit K 20, p. 134 et seq.).

2. Following the plaintiff's first notice of infringement dated 1 February 2016, the defendants sufficiently expressed their willingness to license in a letter dated 22 March 2016, both in terms of content and time, and have not abandoned this in the meantime.

(a) The obligation on the dominant patent holder to inform the infringer of the infringement and of the possibility of obtaining a licence and to make a licence offer to the infringer who wishes to licence is not an end in itself but is intended to make it easier for the latter to negotiate reasonable conditions with the patent holder for his use.



Therefore, according to the first notice, it is not sufficient, in order to create further obligations for the dominant patentee, if the infringer is then merely prepared to consider concluding a licence agreement or to enter into negotiations to determine whether and under what conditions the conclusion of a contract is possible for him. Rather, the infringer, for his part, must clearly and unequivocally declare his willingness to conclude a licence agreement with the patent proprietor on reasonable and non-discriminatory terms and must also subsequently participate in the negotiations on the licence agreement in a targeted manner (FCJ, judgement of 05.05 2020 - loc.cit., marginal no. 83 - FRAND objection; loc.cit. it would be sufficient to make an informal and blanket statement even in the lower instance HRC Düsseldorf, judgement of 30.03.2017, I-15 U 66/15, GRUR 2017, 1219 marginal no. 152 - mobile communication system).

b) These requirements are met by the defendant's letter of 22.03.2016 (Exhibit K 20, p. 167), transmitted via its legal representative, which is shown below: (in the following partially redacted).

"In accordance with the conditions set out by the European Court of Justice in its decision Huawei Technologies (C-170/13), we nevertheless declare on behalf of our clients that we are prepared to negotiate or conclude a license on FRAND terms for the patents-in-suit"

aa) From the plaintiff's vantage point, according to the relevant view of an objective recipient (see FCJ loc. cit., marginal 95 - FRAND objection), the defendants thus made it sufficiently clear and unambiguous that they intended to conclude a licence agreement on FRAND terms. In particular, the last paragraph shows that the defendants were prepared to conclude a licence agreement on FRAND terms irrespective ("nevertheless") of the outcome of the infringement or invalidity proceedings. Accordingly, the plaintiff actually understood the above-mentioned letter of the defendant as a declaration of the willingness to take a licence (plaintiff's letter of 11 April 2016 - Convolute of Exhibits K 20,



p. 168). In the event of a dispute, the wording "to negotiate or conclude" does not prevent the defendant from accepting the readiness to license. Admittedly, according to the above, it is not sufficient if the patent user merely declares his willingness to enter into negotiations on a licence agreement in response to the infringement notice. However, in the present case, the defendants have also expressed their intention to conclude a licence agreement on FRAND terms. The fact that the negotiations on FRAND terms, which regularly precede the conclusion of such a contract, are also mentioned does not justify the assumption that the defendants are unwilling to conclude a licence agreement.

Accordingly, the defendants have subsequently confirmed their unconditional willingness to take a licence (cf. Exhibit B 2, p. 79; Exhibit B 3, p. 1 and Exhibit K 26).

bb) The defendant's willingness to license continued to exist in the subsequent period (cf. on this requirement: FCJ loc. cit., marginal 83 loc. cit. - FRAND objection; cf. HRC Düsseldorf, GRUR 2017, 1219 - Mobiles Kommunikationssystem; Kühnen, Handbuch der Patentverletzung, 11th ed., Chapter E marginal 342). Contrary to the plaintiff's view, the fact that the defendants or their parent company (only) submitted a counter-offer for the first time at the beginning of 2020 does not, at least in the present case, in view of the plaintiff's relevant objective recipient horizon, allow the conclusion to be drawn that the defendant's willingness to license has ceased in the meantime.

On the basis of the statements made by the Chamber in the previous proceedings 2 O 48/16 and 2 O 98/16, according to which the plaintiff's offer of a licence dated 1 February 2016 did not satisfy the evident FRAND criteria, the defendants were entitled, in accordance with the previous case-law of the Chamber, to rely on the fact that they were not obliged to submit a FRAND counter-offer. Subsequently, following the defendant's uncontested submissions, the plaintiff did not adapt the clause 5.6.2 challenged by the Chamber to the Chamber's requirements until the April 2018 offer. With regard to that



offer, the Chamber again stated at the hearing in October 2019 that the calculation of the future licence fee until 2026 on the basis of an industry-wide ASP for LTE-enabled mobile phones for the years 2011 to 2016 also manifestly does not meet FRAND criteria. Thus, in line with the previous legal opinion of the Chamber, the defendants could also assume that they were not obliged to submit a counter-offer. In response to the Chamber's indication that the defendants would now have to respond with their own counter-offer after the submission of a revised offer by the plaintiff, the defendants responded in good time after the submission of the plaintiff's offer with their own counter-offer.

In any event, in the event of a dispute, the lack of cooperation of the defendant by an early counter-offer of its own does not lead to a lack of willingness to license. According to the Chamber's legal reasoning, the defendants could initially rely on not being obliged to submit a counter-offer.

cc) The defendant's declaration of March 2016 also satisfied the requirements in terms of time that must be imposed on an infringer willing to license in this respect.

(1) An infringer who remains silent for several months in response to the notice of infringement shall thereby regularly indicate that he does not wish to take out a licence, so that conclusions can be drawn from the patent user's behaviour in response to the notice of infringement as to his willingness to licence. However, the infringer must, in principle, be allowed sufficient time to reflect. However, the infringer must be given sufficient time to consider the matter and must make every effort to obtain the necessary information quickly in order to decide whether or not to take a licence. This also includes an initial assessment of the infringing party, which, however, cannot be equated with a detailed examination of the infringement allegation (see HRC Karlsruhe, judgement of 30.10.2019 - 6 U 183/19 -, juris marg. no. 115 - data package processing). As a rule, a time interval of no more than 2 months after receipt of the notification of infringement is still to be regarded as a reasonable reaction time, unless special circumstances of the



individual case justify a shorter or longer period (cf. HRC Karlsruhe, judgement of 30.10.2019 - 6 U 183/16 -, juris marginal no. 115 - data packet processing; similar to HRC Düsseldorf, GRUR 2017, 1219 - mobile communication system (more than three months are usually unreasonably long)).

(2) According to this, the reaction of the defendant in a letter dated 22.03.2016 to the first notice of infringement of the plaintiff of 01.02.2016 was still in time. This applies in the present case at least with regard to the scope of the infringer's notification and the complex technology, so that a period of about one and a half months is not excessive in order to get a first overview of the quality of the infringement allegation.

3. The defendant's counter-offer, which - after sufficient explanation of the FRAND offer submitted by the plaintiff - is to be examined as a matter of priority (see (a)), is found to be in conformity with FRAND (see (b)). On this basis the defendants have also provided sufficient security (see c). The plaintiff's failure to accept this counter-offer and the enforcement of the claims in dispute by means of legal action results here in the abuse of a dominant position because the plaintiff's own offer does not meet FRAND criteria (see d).

a) If the patent holder - which is the case here - has made an offer of a licence and has sufficiently explained it (cf: HRC Karlsruhe, judgement of 30.10.2019, loc. cit., marginal no. 133 et seq. - data packet processing; whereby the FCJ regards the specific content and scope of the obligation to explain as a question of the individual case depending on the reaction of the patent user: FCJ, judgement of 5 May 2020 - loc.cit., marginal no. 79 - FRAND objection), it must, in the opinion of the Chamber, first be examined whether the counter-offer to be made by the patent user who does not wish to accept the SEP holder's licence offer in turn satisfies FRAND criteria, without the patent user's obligation to make such an offer being dependent on whether the SEP holder's licence offer actually meets FRAND criteria.



aa) Whether (or to what extent) compliance with the FRAND criteria in the SEP holder's offer is relevant at all for triggering the infringer's obligation to react has been assessed differently in some cases and has not yet been conclusively clarified by case law.

The Karlsruhe Higher Regional Court (NZKart 2016, 334 [juris marg. no. 36]; order of 8 September 2016 - 6 U 58/16, juris marg. 53, 57) has so far left unanswered in the context of decisions under Sections 707, 719 of the German Code of Civil Procedure whether compliance with the FRAND requirements mentioned is necessary to justify an obligation on the part of the infringer to react (and to rule out an allegation of abuse in the event of an inadequate reaction), in particular whether an infringer who submits a (clearly) non-FRAND-compliant counter-offer can (still) invoke the failure to meet the FRAND criteria in the patent proprietor's previous offer. However, it assumes that, according to the case law of the European Court of Justice, an abusive refusal to grant a licence on FRAND terms is, for instance, already based on the fact that the offer of the patent holder is "not exactly FRAND" but is above this range. In this respect, it has decided that the infringement court may not limit itself to a summary examination (in the sense of a negative evidence check) when answering the - presumably significant - question of whether an offer of the patent holder complies with FRAND conditions (HRC Karlsruhe, NZKart 2016, 334 [juris para. 30 ff]; decision of 08.09.2016 - 6 U 58/16, juris para. 49 ff).

The Higher Regional Court of Düsseldorf also rejects an evidence check and, in addition, takes the view that an objection of abuse by the infringer willing to take a licence is always justified in the case of a contractual offer by the patent holder which does not meet the FRAND criteria (HRC Düsseldorf, NZKart 2016, 139 [juris para. 21 ff] mwN; decision of 17.11.2016 - I-15 U 66/15, juris para. 13).

By contrast, the Chamber had already previously taken the view that the obligation to make a concrete counter-offer by the infringer basically follows from the existence of a



concrete offer by the patent proprietor and - provided that the latter is at least suitable to enable a counter-offer - is basically independent of whether the offer of the patent proprietor satisfies FRAND criteria in terms of content (Mannheim Regional Court, judgment of 27 November 2015 - 2 O 106/14 - WuW 2016, 86 [juris para. 221]).

(bb) After re-examining the legal issue raised, the Chamber considers that, once a licence offer has been made and sufficiently explained by the SEP holder, the patent user must in turn respond with a counter-offer which satisfies FRAND criteria. In order to trigger this obligation to react, it is irrelevant whether the SEP holder's offer actually meets FRAND conditions (as already concluded by the Mannheim Regional Court, judgment of 27 November 2015 - 2 O 106/14 - WuW 2016, 86 [juris, margin no. 221]; at least for certain obligations to react in such a case: Düsseldorf Regional Court, judgment of 3 November 2015 - Ref.: 4a O 93/14, margin no. 125).

(1) In the view of the Chamber, this follows from paragraph 66 of the CJEU's *Huawei v. ZTE* decision. There it says: "Should the alleged infringer not accept the offer made to it, it may rely on the abusive nature of an action for a prohibitory injunction or for the recall of products only if it has submitted to the proprietor of the SEP in question, promptly and in writing, a specific counter-offer that corresponds to FRAND terms. (CJEU, loc. cit. para. 66 - *Huawei/ZTE*). Accordingly, the defendant can only invoke an (objectively given) abusive character of the action if it in turn makes a written FRAND counter-offer. This also addresses the case that the offer of the patent owner does not meet FRAND criteria.

The acceptance of an obligation to make a counter-offer is also justified because the patent user - after declaring his unconditional willingness to license - was put in a position to do so by the information obligations to be fulfilled by the patent proprietor (see FCJ loc. cit., marginal no. 75 et seq. - FRAND objection). In this respect, the infringer can be expected to formulate an offer on the basis of the information made available to him and the offer made by the SEP holder to make an offer on conditions which the



patent holder must grant him in compliance with the prohibition of discrimination and obstruction applicable to him. The Federal Court of Justice also tends in this direction in the above-mentioned FRAND objection decision, which, in recital 75, considers it possible that the patent user - provided that it knows the conditions on the licensing market - must make an offer to the patent holder on FRAND terms on his own initiative, i.e. without prior explanation of an offer by the SEP holder.

(2) This understanding also corresponds to the idea expressed by the CJEU that the parties should enter into negotiations with each other because they are best placed to find FRAND conditions (see also European Commission of 29.11.2017 COM(2017) 712 final, e.g. p. 8: "...The parties to an SEP licence agreement who negotiate in good faith are best placed to determine the most appropriate FRAND conditions for their particular situation").

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 licence in the negotiation of appropriate contractual conditions is of decisive importance (see CJEU, *ibid.* nos. 65-68 - Huawei/ZTE). However, such negotiations do not get off the ground at all or only hesitantly if the obligation of the sufficiently informed defendant to make a counter-offer depends on whether the plaintiff's FRAND offer actually meets FRAND conditions.

b) The defendant's counter-offer of 31 January 2020 (Exhibit K 38.1) or, in slightly modified form, of 11 March 2020 (Exhibit K 40.1) meets FRAND criteria.

aa) It should be noted that (as a general rule) there is not exactly one single contractual arrangement (in particular not one single specific equivalence relationship between licence rights and their remuneration) which meets the FRAND criteria in terms of



content. Rather, there is regularly a multitude of possible contractual arrangements and licence rates which are fair, reasonable, appropriate and non-discriminatory. (cf. FCJ, judgement of 5 May 2020, KZR 36/17 marginal no. 81 - FRAND objection; HRC Karlsruhe, judgement of 30 October 2019, 6 U 183/16 marginal no. 95, GRUR 2020, 166 - Datenpaketverarbeitung; RC Düsseldorf, partial judgement of 31 March 2016 - 4a O 73/14, juris marginal no. 259; leaning this way already HRC Karlsruhe, NZKart 2016, 334 [juris para. 32]; order of 8 September 2016 - 6 U 58/16, juris para. 52; UK Court of Appeal, judgment of 23 October 2018, [2018] EWCA Civ 2344 marginal no. 121; High Court of England and Wales, judgment of 5 April 2017, [2017] EWHC 711 (Council) marginal no. 158 et seq.) In the view of the Chamber, this is self-evident because there is no such thing as a defined single equitable price (see also Lübbert/Schöner in Wiedemann, Handbuch des Kartellrechts, 3rd ed., § 23 marginal 136 mwN; FCJ, WuW/E FCJ 3058 [juris marginal 39] - Pay-TV-Durchleitung). This is the only way to explain the case-law of the ECJ (loc.cit. - Huawei Technologies v ZTE) in so far as, contrary to the view taken here, it is apparent from it that the infringer's obligation to react is triggered only by an offer which satisfies FRAND conditions. According to this case-law, the infringer (nevertheless) has the possibility, after receiving this offer, to make a - different - counter-offer which (also) should comply with the FRAND conditions.

bb) On this basis, the defendant's offer meets FRAND conditions. With the exception of the amount of the royalties and their calculation, the offer and the counter-offer do not differ in principle, although both parties assume, on the basis of a correct legal assessment, that the contract terms formulated in conformity with each other meet FRAND criteria.

The calculation of the licence fees carried out by the defendants is not objectionable under antitrust law and does not constitute an infringement of the FRAND criteria. The plaintiff merely submits that the FRAND non-compliance of the defendant's offer is



already apparent from the significant difference between it and its own offer. This argument cannot be successful.

(1) The defendants - like the plaintiff - based their offer on the top-down approach as a starting point, which is not legally objectionable.

In so doing, the defendants took into account the share in SEP of [redacted] %, as indicated by the plaintiff itself, in relation to the LTE standard. In addition, the defendants assumed a permissible total royalty charge per unit sold of 8.8% for the LTE standard, which corresponds approximately to the percentage for 4G assumed in the "Unwired Planet" judgment of the High Court of London and in any event is not outside a possible FRAND corridor, but on their own average annual global selling prices, which are undisputedly below USD [redacted] on average. In principle, this is not a reference value contrary to FRAND. As in the case of the calculation of damages on the basis of a licence analogy, it is fair and reasonable to take into account the economic circumstances of the person seeking to take a licence in the context of a licence offer. This is because the patentee should receive an appropriate share of what the licence seeker can objectively earn by using the doctrine of the patent on the basis of the layout of his business. The reasonably expected profit depends in particular on those exploitation possibilities for the invention which the licensee's business operation promises in view of its specific product and customer orientation (cf. Kühnen, Handbuch der Patentverletzung, 11th ed. 2019, Chapter E. marginal no. 472; the same in GRUR 2019, 665, 670).

(2) The sales prices applied and the licence fees resulting therefrom are also not in violation of FRAND in the present case, whereby reference is made to the Exhibit K 40.1 for details. In that regard, the plaintiff submits only a general argument, which is disputed by the defendants, that the defendants' selling prices are too low or dumped. However, this is not the case in the dispute.



(a) Admittedly, it is correct at the outset that the patent proprietor is not to be deprived of the share to which he is entitled in the objectively achievable advantage for the patent user from the use of the invention by the latter selling products at dumping prices, for example because they are cross-subsidised or the dumping prices are intended to make customers aware of the patent user's entire product range (cf. Kühnen, GRUR 2019, 665, 670).

(b) In the present case, however, the defendants have undisputedly argued, as is, moreover, well known to the Court, that, in the mobile telephone sector, in addition to premium and luxury models, there is also a market for "simple" medium- and low-priced mobile telephones, the actual selling price of which may be significantly lower than the average worldwide industrial selling price. The mere fact that a company may legitimately decide to meet the demand for cheaper mobile telephones - for example, stripped of expensive additional functions and accessories - does not justify the assumption that it is selling these mobile telephones at dumping prices. On the contrary, according to the defendant's unobjectionable business orientation towards this market segment, the prices achieved there are those which the defendants achieve and can achieve according to their objective business model. However, the patent proprietor cannot, for reasons of competition law, require the user to operate in a higher-priced market segment in order to increase licensing income, if this does not correspond to the chosen business orientation of the patent user, as indicated by the plaintiff at the hearing.

(c) The defendants also made sufficient and timely account on the basis of their FRAND counter-offer and provided security on that basis, which is accordingly not contested by the plaintiff.

d) The plaintiff's offer of a licence agreement dated 12.12.2019 (Exhibits K 37.1) or in a slightly modified form dated 04.03.2020 (Exhibits K 39.1) does not meet the FRAND



criteria in the event of a dispute. This results in the present legal dispute in the abusive character of the assertion of the claims in dispute by way of legal action.

(aa) If the patent user's counter-offer satisfies FRAND criteria, the SEP holder's offer must be examined. If, as in the present case, this offer proves to be contrary to FRAND, the claim must be dismissed. Therefore, if the SEP holder's offer also meets the FRAND criteria, the Chamber does not have to decide how to proceed in the event of a dispute.

Even taking into account the scope for action already outlined in the context of the examination of the defendant's counter-offer [(see II. b) aa) above], the plaintiff's offer does not stand up to an examination based on the FRAND principles with regard to the amount of the licence offered to the defendants.

(bb) In any event, according to the calculation method specifically used by the plaintiff in the context of the top-down approach, which is based on a worldwide industry-standard ASP for mobile telephones per year, including all LTE-capable mobile telephones on the market, in order to determine the licence fee, this is unfair and unreasonable for market participants who - like the defendants - operate in the lower price segment considerably below the industry-wide ASP. This applies both to the proposed "running royalty" and to the alternative "lumpsum payment" option. In both cases, the plaintiff calculates the licence fee per device to be paid by the defendants on the basis of the method already described.

(1) By applying the industry-wide ASP, which includes all LTE-capable mobile telephones in the context of the top-down approach, the plaintiff unilaterally gives the interests of potential licensees in the dispute precedence over the interests of potential licensees who sell higher-priced terminal equipment in the premium and upper class above the average sales price determined by the plaintiff and always benefit under the plaintiff's licensing model, the advantage over such licensees who, like the defendants, operate on



the market at a level significantly below the industry-wide ASP proposed by the plaintiff, with an ASP of less than USD [redacted] on average, and are always at a disadvantage as a result.

First, the result is that the actual licence rate for the defendants, in relation to their sales prices, is many times higher than the licence rate of [redacted] % calculated by the plaintiff in the abstract, taking into account its share of LTE patents. At the same time, this may also result in the total licence fee of [redacted] % per licensed item for the LTE standard, which the plaintiff considers permissible, being several times higher than the licensee's actual sales price.

Thus, the defendants have undeniably submitted that, according to plaintiff's calculation model, the maximum total percentage royalty burden of [redacted] % for LTE patents, which plaintiff itself indicated, would be 3.6 times higher, in relation to actual net sales price of the defendant, if each SEP holder were to apply plaintiff's calculation method for the LTE standard. On the other hand, it is conceivable that suppliers who offer, on average, mobile telephones above the industry-wide ASP might pay a lower proportion than [redacted] % in relation to their actual sales prices.

(2) In so far as the plaintiff relies on the fact that its approach represents a middle ground which takes account of the legitimate objection otherwise raised by manufacturers of high-priced equipment - that is to say, where the licence rate is based on the actual net sales price in each case - that they would easily have to pay a multiple of the licence fees for the same licensed technology compared with other licensees, even though their higher sales price is due to non-technological factors (such as the fact that the licence fee is based on the actual net sales price in each case), the plaintiff submits that its approach is a middle ground which equally takes account of the legitimate objection raised by manufacturers of high-priced equipment that they would easily have to pay a multiple of the licence fees compared with other licensees for the same licensed



technology, even though their higher sales price is based on non-technological factors (such as the fact that the licence fee is based on the actual net sales price in each case).e.g.: high quality camera, high-quality workmanship and design, proprietary operating system, special reputation of the manufacturer and the brand name), it is not successful in doing so.

(a) In any event, the above-mentioned conflict of interest cannot be resolved unilaterally to the detriment of mobile phone operators, which operate in the market well below the industry-wide ASP. It is undisputed between the parties and known to the Court that "simple" LTE-enabled mobile telephones are available for far less than the industry-wide ASP claimed by the plaintiff, as is shown by the defendant's average past selling prices of less than USD [redacted]. In the context of the top-down approach, the switch to an industry-wide ASP which includes all LTE-capable terminals on the market, that is to say, especially those whose high price, which is significantly higher than that of the industry-wide ASP, is determined by the above-mentioned non-technological aspects, does not constitute an appropriate balance of interests with regard to market participants in the lower price segment.

In order to reconcile the various interests in the context of that approach, the plaintiff could, in the context of the top-down approach, for example, define an absolute lower limit which satisfies FRAND criteria and which must in any event be paid per unit sold in order to adequately reflect the minimum objective value of the invention. It could also define an absolute upper limit to take account of the (legitimate) concerns of premium segment manufacturers that the high price of their equipment is based on the non-technological aspects mentioned above.

(b) The Chamber does not intend to imply that only such an approach would meet FRAND conditions. In particular, the Chamber does not want to exclude the possibility that there may also be FRAND-compliant industry-wide absolute per-unit licences in the field of



mobile communications technology, whereby, taking into account the legitimate flat-rate interests of the patent holder, average values could also be used as a basis in the context of the top-down approach, if necessary. However, even taking account of the plaintiff's concerns, there is no justification for unilaterally discriminating against manufacturers of low-priced equipment, as is the case with the application of an industry-wide ASP involving all LTE-capable mobile telephones on the market, the high price of which is partly determined by non-technological aspects.

(c) Furthermore, the plaintiff cannot justify the approach of an industry-wide ASP on the basis of its assumption that it is not up to the holders of standard essential patents, in so far as the patent users believe that they have to sell their equipment at particularly low prices, to subsidise such low prices additionally by means of comparatively low licence rates, which would, however, be the consequence of the calculation requested by the defendants.

As already explained above, in certain constellations (dumping prices), it may be an objective reason for the licensor not to accept the net sales price of the respective licensee as decisive. However, as explained above, these conditions are not met in the case of a dispute. On the contrary, the defendant is exclusively active in the medium to lower price segment for mobile telephones on the basis of free entrepreneurial decision. For reasons of competition law, the plaintiff cannot point out to the defendant that it must and can also be active in the field of higher-priced mobile telephones.

(3) The plaintiff also unsuccessfully counters the allegation of abuse by arguing that it is customary in the market to show uniform absolute values for a patent portfolio.

(a) The plaintiff has not itself submitted that the licensors it refers to in Exhibit K 31 in the field of mobile telephony and/or in the field of audio/video (De) encoding in accordance with the MPEG standard determined their absolute per-unit royalties



precisely on the basis of the calculation method used by the plaintiff. In that regard, the defendants correctly pointed out that the mere fact that there may be calculation methods according to which an absolute per-unit licence satisfies FRAND criteria does not in itself indicate the acceptance and freedom from abuse of the very licensing concept chosen by the plaintiff.

(b) It may also be true that there may be situations in which fair parties to a licence have a mutual interest in a lump sum, so that in individual cases, even a numbered per unit license without reference to the actual sales price of the licensee may satisfy FRAND criteria. Similarly, a calculation of the royalty according to the top-down approach can in principle be considered to determine a FRAND royalty. However, those general considerations are not meaningful for the specific offer submitted by the plaintiff.

(4) Because of that exceeding of the FRAND corridor by the plaintiff, the defendants may, after submitting their FRAND counter-offer, rely on the existing plea of abuse. The claim was therefore to be dismissed as currently unfounded (see FCJ MDR 2017, 1359).

In the present case, the Chamber may leave open how to decide in constellations where both the defendant's counter-offer and the plaintiff's offer turn out to be FRAND. In particular, it may also be questioned in this context whether the patent user may not - as the plaintiff submits - impose a different licensing concept on the patent proprietor by means of the FRAND counter-offer of the latter. This aspect could at most come into consideration if the (established) licensing concept of the patent holder proves to be FRAND-compliant, which is not the case here.

[...]