



Regional Court Mannheim

7 O 19/16

Decision of 17 November 2016

[...]

Facts

[...]

Plaintiff indicated to [...] on July 5, 2014 in written form under addition of a list of the affected patents, that the sale of [...]’s mobile phones allegedly infringed Plaintiff’s essential patents for the UMTS- and LTE-standards (Exhibit K4a). On September 15 and 16, 2014, Plaintiff explained towards [...] its license program and provided written documents (Exhibit K4b and K4c). In the course of a meeting on November 25, 2014, [...] offered to transfer certain patents to Plaintiff, which [...] deemed essential for the LTE- and UMTS-standard. With letter of July 28, 2015 (Exhibit K4h) Plaintiff submitted a license offer to [...] (Enclosure 4) and provided a list of the infringing products and SEPs (Enclosure 1 and 2) with technical descriptions (Enclosure 3, the infringed patent is also referred to as no. 34). With email of September 25, 2015, Plaintiff provided additional technical explanations with regard to the UMTS- and LTE-patents (Exhibit K4i and K4j). With a further letter, dated January 12, 2016, [...] offered Plaintiff in return to conclude a worldwide license agreement with regard to Plaintiff’s LTE-/UMTS-patent portfolio on the basis of a license rate of X % of the net sales price per unit (Exhibit B5). Such license agreement was, however, not concluded between the parties in the sequel. Plaintiff thus filed an infringement suit with Court; the Statement of Claim dated October 16, 2015 and was received by Court on October 19, 2015. In April 2016, Defendant deposited an amount of EUR X (c.f. certificate of deposit, Exhibit B27) with the State Treasury Department in Bamberg. The amount was meant to cover the worldwide sales of LTE-/UMTS capable devices from 2012 until June 30, 2016, and calculated on the basis of the license rate offered by Defendant in Exhibit B5.

[...]



Grounds

[...]

III.

Plaintiff's motions for information and account and a declaratory decision with regard to damages are founded, because of the patent infringing acts established above (Art. 64.1 and .3 EPC in conjunction with Art. 2.2 EPC). These claims may not be opposed by Defendant's antitrust defence (c.f. Huawei Technologies/ZTE: CJEU, dec. of July 16, 2015 – C- 170/13, GRUR 2015, 764 marginal 72 et seq. = ECLI:EU:C:2015:477, amended version of December 15, 2015 = ECLI:EU:C:2015:817).

[...]

IV.

However, Plaintiff's motions for an injunction, recall of infringing products, removal of infringing products from the distribution channels and destruction of infringing products were to be rejected. According to the prerequisites established by the CJEU in Huawei v. ZTE (...), the enforcement of these claims is blocked for antitrust reasons.

1.

The Chamber has given its interpretation of the CJEU's decision in Huawei Technologies v ZTE in its judgement of January 29, 2016, court docket no. 7 O 66/15 (published by juris) and adheres to this interpretation after considering the arguments presented in the case at hand. From the Chamber's perspective, the CJEU emphasises that the exercise of an exclusive right linked to an intellectual-property right by means of an infringement action shall only be limited under exceptional circumstances. Consequently, the factual circumstances, from which exceptional suspension of claims shall arise, must be substantiated and proven by the alleged infringer.

In the Chamber's view, the CJEU developed a concept in its judgement, which allows the respective court seised to evaluate the behaviour of the patentee on the one hand and the infringer's behaviour on the other hand. Based on this evaluation, the court can then determine, whether the assertion of the claims to an injunction and recall of infringing products must be considered as an abuse of market dominance to pressurize Defendant or whether it is just an appropriate counter-measure to the delay tactics of the alleged infringer. However, in the Chamber's opinion, the CJEU has not intended to burden the proceedings with the determination of the specific FRAND-conditions, if Plaintiff invoked



claims for an injunction and recall. The specific FRAND-conditions may be discussed in the proceedings concerning the amount of damages at a later stage. This aspect was mentioned by the Advocate-General in his Opinion but not picked up in the CJEU's decision. Contrary to the interpretation of the Higher Regional Court of Karlsruhe (dec. of May 31, 2016, court docket no. 6 U 55/16, MitttdtschPatAnw 2016, 321), the Chamber is of the opinion, that such an approach may nevertheless be derived from the CJEU's decision by applying a practice-oriented interpretation.

For this purpose, the CJEU requests that the patentee informs the alleged infringer about the alleged patent infringement before filing a court action for an injunction and recall in a first step. The patentee shall name the allegedly infringed SEP and provide details about the alleged infringement. In any case, the patentee will have to designate the register no. of the allegedly infringed SEP and indicate that this patent was declared standard essential before the respective standardization organization. The notice to the alleged infringer must identify the name of the concerned technical standard and on specify which circumstances the alleged infringement is founded upon. This requires at least that the patentee clarifies which technical feature of the attacked embodiment he deems infringing as the alleged infringer will only know that his product complies with a specific standard. Thus, the mere reference, that the alleged infringer produces standard-compliant products and therefore infringes the patent, is not sufficient. The alleged infringer must be enabled to counter-check the alleged infringement autonomously or have it counter-checked by a third party. Due to the variety of the technical functionalities codified in a standard and the practical difficulties addressed by the CJEU when it comes to the assessment of a standard's IPR situation, the alleged infringer must be put in a position to assess the IPR situation. The required detail of the information depends on the respective circumstances of the individual case. On this occasion, it will be necessary to adjust to the technology knowledge of the alleged infringer, respectively to what extent the alleged infringer has to procure such knowledge by professional advice in a reasonable manner. From the Chamber's perspective, the infringement notice can be oriented on the business customs with regard to licence contract negotiations, i.e. the claim charts as they are usually exchanged in the course of such negotiations should suffice. The claim charts shall contain the asserted patent claim or a related claim of a patent family member in the form of a feature analysis. The (broken-down) features shall be mirrored by the respective passages of the technical standard document. The level of substantiation necessary for a founded infringement action is not required. In this respect, it is sufficient that the alleged infringer can understand the infringement allegation or that he can do so by getting internal or external help.



The same applies to the SEP-proprietor's further pre-trial obligation to provide a written license offer under FRAND-conditions and to specify the royalty and the way in which it is to be calculated—if the alleged infringer expressed his willingness to conclude a license agreement on FRAND terms. Against the background of the Chamber's interpretation of the CJEU's decision, it is necessary that the patentee's offer is a ready-to-sign offer that contains the essential contractual conditions. It does, however, not mean that the court seized must assess on an objective basis whether the specific offer of the patentee was actually FRAND if the alleged infringer contests the FRAND character of the offer—as he will do regularly. If an in-depth assessment of the FRAND character of the patentee's license offer were to be required, the infringement proceedings would be burdened with the question which royalty rate and contractual conditions were exactly FRAND in the respective case. This was—in the view of the Chamber—not the intention of the CJEU. An offer violates antitrust law and is evidently not FRAND only under circumstances in which the specific negotiation situation and market conditions qualify as a case of exploitative abuse. This does of course not mean that the patentee can simply allege that his offer is fair, reasonable and nondiscriminatory.

The patentee rather has to specify the royalty and the way in which it is to be calculated and to demonstrate—by doing so—why he thinks that the FRAND criteria are met by his offer. Thus, from the Chamber's perspective, the SEP-proprietor will have to put the alleged infringer in a position to comprehend, by means of objective criteria, the reasons why the SEP-proprietor is convinced that his offer complies with FRAND-conditions. Therefore, it is not sufficient that the SEP-proprietor simply refers to a specific royalty rate per unit in a quota licence agreement without explaining why the requested royalty rate corresponds to the FRAND-conditions from his point of view. In this respect, the calculation of the royalty rate will have to be revealed to the alleged infringer in an appropriate manner. Such transparency can be provided by referencing a standard license agreement if this license agreement is actually concluded with and accepted by third parties in practice. Alternately, the SEP-proprietor may reference values, from which the required licence fee is deduced, such as from a pool licence fee, that is paid for a patent pool by third parties in practice and which also comprises patents that are essential to the concerned standard.

The infringer must react to the patentee's license offer, which is based on specifically explained facts, even if he thinks—as usually—that it is not FRAND-compliant (same result c.f. Regional Court Mannheim, dec. of November 27, 2015, court docket no. 2 O 106/14 p. 51 and Regional Court Düsseldorf, dec. of November 3, 2015, court docket no. 4a O 144/14). An exemption from this general rule may, in the view of the Chamber, only be made if the offer of the SEP-proprietor is already upon summary examination evidently not FRAND and must consequently be deemed as an abuse of a dominant market position. This



counter-offer must be made timely, since the CJEU does not accept delay tactics by the alleged infringer. Thus, the reputed infringer needs to react to the specific written offer of the SEP-proprietor as fast as it can be expected according to the circumstances of the individual case and with regard to the business customs in the concerned industry sector and the general principle of good faith.

If the SEP-proprietor rejects the counter-offer and if the alleged infringer has already used the SEP before a licence contract was concluded, the CJEU urges that he provides, from the date of the rejection of his counter-offer, an appropriate security by furnishing e.g. a bank bond or by making a security deposit. The calculation of the security must include the past acts of use with regard to the SEP. The alleged infringer also needs to render account for the past acts of use. Moreover, this security has to comply with the established business customs in the respective area.

2.

Based on the interpretation given above, Plaintiff is prevented from enforcing its claims for reasons of antitrust law.

a)

Whether the abovementioned standards of review developed by the Chamber must be reconsidered in the light of the decision by the Higher Regional Court of Karlsruhe, dated May 31, 2016, court docket no. 6 U 55/15 can be left open. The Senate stated that it is not sufficient to assess the FRAND character of an offer on an evidential basis but – at the same time—granted the patentee a certain margin of discretion when determining what is FRAND. Additionally, the decision by the Higher Regional Court was issued in summary proceedings over the preliminary suspension of the enforcement of a first-instance judgment.

b)

Plaintiff has not fulfilled the obligation to explain the facts towards Defendant from which it derived the proposed royalty rate of US\$ 1.00 per unit as being FRAND or why—in the words of the Higher Regional Court of Karlsruhe—the royalty rate should be inside the FRAND corridor. Instead, Plaintiff rather simply alleged in a general way that the reasonable royalty was US\$ 1.00. In this respect, according to the Chamber, the mere indication of multipliers nowhere near sufficient to meet the CJEU's requirements. The general presentation of the UMTS-license program (Exhibit K4b and 4c) does not contain any further information in this regard that could fulfil these obligations.



c)

As far as Plaintiff points out that the Chamber's view would conflict with the view of its sister Chamber [i.e. the other patent litigation chamber at the Regional Court of Mannheim], the Chamber believes, under consideration of the aforementioned decision by the Higher Regional Court of Karlsruhe, that a mere statement of the multipliers is not sufficient to substantiate the calculation of the royalty fee. Because based on these parameters, it is not possible for the alleged infringer to assess whether the offer – either in the sense of an evidential control like the Chamber deems adequate or in the sense of an objective regulation as mentioned by the Higher Regional Court – is FRAND. At the same time, the alleged infringer cannot estimate whether he needs to make a FRAND-counteroffer, as he, like the CJEU explained, lacks necessary information about the license market which the SEP-proprietor has.

d)

Plaintiff has made relevant explanations for the first time in its Reply and presented an expert report of Professor Y (Exhibit K5/5a) to prove that the requested royalty rate is not discriminatory. This explanation was made only after the filing date of the infringement complaint and is thus not suitable to allow the pressure-free license negotiations the CJEU had in mind, i.e. without the threat of an injunction or recall of infringing products. In this respect the Chamber is of the opinion that the alleged infringer must not only be notified before an infringement action is filed. Rather, the facts why the calculation of the royalty rate is deemed FRAND must also be explained pre-trial according to the intention of the CJEU. Because only if the calculation of the royalty rate has been explained to the alleged infringer before a pending infringement action, the alleged infringer can decide freely and without the pressurizing threat of an injunction whether the revealed calculation is FRAND and whether he will accept the conditions and take a license. As far as Plaintiff is referring to a recent decision of the Higher District Court Düsseldorf dated May 9, 2016 (court docket no: I-15 U 36/16, Enclosure K 12), in which the court considered whether it is always necessary, that the CJEU's prerequisites are fulfilled pre-trial—especially the obligation to explain the requested royalty—, the Chamber continues its case-law in this regard. If it is acceptable under procedural law to withdraw the complaint, Plaintiff can file a new infringement complaint and catch-up the previously omitted steps in-between. Even if the SEP-proprietor does so, one will have to grant the alleged infringer a certain amount of time to assess the arguments put forth by Plaintiff to explain the requested royalty rate. If Plaintiff could catch-up on previously omitted steps in the course of the proceedings without being sanctioned, the guiding principle of the CJEU's decision, i.e. pressure-free and fully informed negotiations, could no longer be accomplished. The



Chamber sees itself strengthened in the aforementioned interpretation because the CJEU explicitly clarified its [German language version] of the decision in this regard.

e)

Plaintiff is also not released from this obligation, because of any kind of unwillingness of Defendant to take a license. Even if Defendant rejected the payment of any royalties in specific occasional statements during the parties' negotiations, Defendant did not fundamentally show an unwillingness to take a license in the view of the Chamber. This can be taken e.g. from the letter dated November 20, 2015 and presented as Exhibit B1 in which the mother company of Defendant, with whom Plaintiff conducted negotiations, criticized that Plaintiff so far failed to explain the requested royalty rate in accordance with the CJEU's decision. This request was repeated by Defendant in the letter dated December 4, 2015 (Exhibit B2). Defendant was also willing to pay the royalty based on a license rate of [x] % of the net sale price per unit (letter of January 12, 2016, Exhibit B5). Further, the willingness of Defendant to take license becomes evident, as Defendant offered pre-trial to transfer specific own patents to Plaintiff – even though Plaintiff regarded the offer as uninteresting and rejected it. Defendant's willingness to exchange positions with regard to concluding a license agreement is also underlined by the fact that Defendant ordered a full expert report, presented as Exhibit B11, in order to support its proposed royalty rate. Even if this only happened after the complaint was filed, the Chamber considers this act as a confirmation of general willingness to negotiate the licence—even if rejecting statements were made during the negotiations as Plaintiff put forth.

As a further indication for the general willingness of Defendant to enter into negotiations with Plaintiff, the Chamber also classifies the fact, that Defendant deposited a large amount of money in the meantime. The amount was intended to cover the revenue of her LTE-/UMTS-capable products worldwide. Even if this only happened after the suit had been filed, this circumstance gives clues about the general willingness of Defendant to negotiate the licence prior the complaint. From the Court's point of view, this behaviour confirms the found indices that neither Defendant nor its mother company are unwilling infringers.

According to the Chamber, these circumstances, which partially involve procedures after the infringement action was filed, have to be considered for the decision over the potential willingness of Defendant to take a license as long as they allow conclusions with regard to Defendant's intentions during the time period prior to the filing date of the infringement suit. The described circumstances also document that it did not need the lawsuit to start negotiations with Defendant. [...]



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