Higher Regional Court Düsseldorf

I-2 U 31/16

Decision of 22 March 2019

[...]

Grounds

[...]

e)

The patent transfers are also harmless from an antitrust law point of view. They do not infringe either Article 102 TFEU [hereinafter under aa)] or Article 101 TFEU [hereinafter under bb)].

aa)

The objection that the - multiple - transfer of the patent in each case took place without simultaneous transfer of the obligations arising from the FRAND declaration irrevocably submitted by the intervener, which leads to the nullity of the transfer file due to abuse of a dominant market position, is already void in the legal approach because the purchaser of a SEP is directly and indispensably bound to the FRAND commitment of his legal predecessor - even without an express or implied declaration.

(1)

It is in the nature of things that standard-setting prevents technological competition because any competing technical solution that is not included in the standard has no chance of competing on the product market because of lack of compatibility. The voluntary willingness of all SEP holders privileged by the standard-setting process to allow competition by granting everyone interested in the standard essential technology a license under FRAND conditions is therefore a cornerstone of the technical standard-setting process and its legal admissibility. It compensates for the inevitable exclusion of competition at the technology level by opening up free competition within the technical standard and in its commercial exploitation. The FRAND declaration also creates a legitimate expectation among the customers of the technology unified by the standard that the patents essential to the standard will in future - in accordance with the promise given in the FRAND declaration - be voluntarily licensed under FRAND conditions (ECJ, GRUR 2015, 764 - Huawei Technologies/ ZTE). From the perspective of the SEP, the licensing commitment thus limits the patentee's inherently comprehensive monopoly and prohibition rights, in that he no longer has an exclusive right that is effective and unconditionally enforceable against anyone, but his powers as a result of the FRAND declaration are limited by the fact that he must allow anyone to use his SEP and thus participate on an equal basis in the standard on FRAND terms upon request. This concession is of considerable importance because one of the characteristic features of the monopoly rights associated with a patent is that the owner of the intellectual property right is free to decide not to grant a license and can thus categorically exclude any third party from using his patent. The SEP holder sacrifices the freedom of non-licensing, which is an essential consequence of the legal exclusivity powers of the patent, in order to include the technical doctrine of his patent in the technical standard. Because the FRAND promise limits and defines the rights arising from the patent in the manner described - irrevocably and thus "in rem" - the patent can necessarily only pass to the acquirer in this very limited form, modified in content by the FRAND promise. This is because no one can acquire more rights through a transfer transaction than his legal predecessor himself conceded at the time of the sale.

(2)

In this context, legal concerns do not arise from the fact that, due to the state award act and the legal form of the monopoly right associated with the granting of the patent, it may be outside the legal power of the owner of the property right to substantially change the monopoly right assigned to him through his licensing undertaking. Even if that is the case, he has in any event the legal power to refrain from a certain exercise of his exclusive powers by not exercising his right not to license the invention. In this legal sense, the obligation assumed with the FRAND commitment to grant every interested party a license for the SEP under FRAND conditions is legally effective and considerable.

(3)

Only such a result (sic.: automatic transfer of the FRAND obligation with the acquisition of the patent) is also appropriate from the legal point of view. The fundamental content of the patent holder's guarantee of ownership is his right to sell the property right granted to him at his discretion. In this context, protection under fundamental law is enjoyed not only by the transferability of the property right as such, but also by the person of the acquirer, who can be freely chosen by the vendor. The special situation resulting from the standard setting does not require and justify any restrictions in this respect, because the rights associated with the SEP do not change as a result of the person who holds it, but are completely independent of the holder. They are determined primarily according to the content of the property right, i.e. its valid patent claims, the patent description and the patent drawings (Art. 69 EPC). In addition to the content of the patent specification, it is also essential that with the transfer of the patent the obligations (limitations) of the original patentee from his FRAND declaration are not lost, but that the purchaser is bound in the same way as his predecessor. If this is guaranteed - as a result of the automatic transition of the FRAND-obligation with the transferred patent for which the FRAND declaration was made - there is no reason to prevent or limit a patent transfer. For the goal which the FRAND commitment intends to achieve is easily achieved with the automatic transfer of the FRAND obligation to the patent purchaser.

The possible alternative legal solution, in contrast, would have totally unreasonable consequences. It would be tantamount to judging a patent transfer under which the vendor's FRAND commitment was not passed on to the purchaser (under the law of obligations) to be contrary to antitrust law (Art. 102 TFEU), with the result that the patent transfer as a whole would be invalid. There is, however, no reason for such a far-reaching consequence, because the transferability and/or transfer of a SEP cannot be problematic in any way, but only provision must be made to ensure that, as a result of the transfer of intellectual property rights, the permanent FRAND commitment required for reasons of antitrust law (Art. 101 TFEU) is maintained in the enforcement of the SEP. This objective is fully met by the automatic (and indispensable) transition of the FRAND commitment together with the SEP. Moreover, objections would have to be raised to a transfer of the FRAND obligation in accordance with the law of obligations even if it had been duly agreed between the seller and the purchaser. This is because it would require special legal constructions such as the legal form of a third-party beneficiary contract (which may not be available in all Member States and whose viability cannot be reliably assessed in advance) in order to ensure that the license seeker (= patent user) who is not at all involved in the transfer transaction can successfully rely on the purchaser's promise given only to the seller to license the SEP according to FRAND rules. If, in contrast, the FRAND commitment is regarded as a substantive self-restriction of the SEP's exclusive (exercise) rights, the same difficulties of application do not arise and the necessary legal clarity exists for all parties.

(4)

The binding of the patent purchaser to the FRAND commitment of his legal predecessor is not only "on the merits", i.e. to the extent that the obligation to grant a FRAND license is at issue at all, but it also exists "in terms of amount and content", i.e. to the extent that the purchaser, within the framework of his obligation to license the SEP fairly, reasonably and without discrimination to the licensing practice in question, concretises the FRAND-related limitation of the exclusive rights from the SEP, which consequently must also be observed by the purchaser following a patent transfer. That this must be the case already follows from the fact that the licensing relationships existing at the time of the acquisition of the patent do not cease to exist as a result of the transfer of the patent or are otherwise impaired. They remain in existence to the same extent and with the same content and continue to apply vis-à-vis the acquirer (Sec. 15 (3) German Patent Law (PatG)), who consequently cannot prohibit the licensee from using the invention. Even if the acquirer - which may vary from Member State to Member State - does not automatically enter as a contracting party into the license agreements that exist at the time of the change of holder but this would require a special three-sided transaction involving the vendor, the acquirer and the licensee, the conditions of use for the existing licensees nevertheless remain the same; the obligations remain unchanged and the SEP acquirer is regularly entitled to the contractual claims (e.g. accounting and license remuneration), because in case of doubt the transfer of the patent is to be seen as an implied assignment of the said license agreement claims to the SEP acquirer. Irrespective of the exact dogmatic legal construction, which may be different, one thing remains to be noted in each case: The transfer of an already licensed SEP with FRAND declaration does not eliminate existing licensing relationships. The licensee's rights of use shall remain unchanged, as shall his obligations under the license agreement, in particular with regard to the payment of the license fee. From a purely economic point of view, it can therefore be concluded that the licenses granted by the vendor are transferred to the acquirer, so that the former licensees of the vendor are henceforth the SEP acquirer's own licensees and, as a result, necessarily define the licensing framework against which discrimination is prohibited. For each license granted by him, the acquirer must therefore not only keep in mind those licensees to whom he himself has granted a right of use during his ownership, but he must also take into account those licensee relationships which have been transferred to him from his predecessor as a result of the acquisition of the patent.

Of course, only those licensing relationships are relevant which are (already and still) in force at the time of the legally required license offer, whereas license agreements which have already expired at this time have to be disregarded because they cannot have any effects on the competitive situation of the competitors. In the case of injunctive relief, the time of the last oral hearing is decisive, this is why the license agreements active at that moment are important; if the claim for damages and accounting is at issue, the period for which the plaintiff requests full damages and full accounting must be considered.

Any other dealing disregarding the binding by the licensing practice of the legal predecessor would result in the SEP holder being able to evade his obligations at his discretion, in particular for the non-discriminatory treatment of all prospective licensees, by transferring his patent to a third party in order to dispose of the restrictions resulting from licensing already carried out. This would not only contradict the fact that the obligation to grant licenses fairly and without discrimination is not linked to persons but to the subject matter, i.e. that it influences the SEP in a in rem manner for which a FRAND declaration has been issued and whose technical doctrine can be used by any interested party, but would also run counter to the spirit and purpose of the FRAND commitment, which is that any prospective licensee would not only be able to use the SEP in the first place, but would also be granted a right to use the SEP on, in particular, financial terms that would not discriminate against it vis-à-vis other users. Every license fee that has to be paid for a standard essential property right represents a cost factor that is included in the price formation on the downstream product market and can therefore potentially affect the supplier's competitive position. If, as a result of the patent transfer, the purchaser of a SEP would be able to strip off the previous licensing practice of its legal predecessor, the license seekers would be subject to very different licensing conditions, depending on the possibly purely random time at which they took their licenses. This would not ensure non-discriminatory participation in the standard, because the level of license fees and the associated price-related costs for the licensee could vary according to which patent holder took the license. Different groups of licensees would compete on the product market, namely those who acquired their right of use from the original SEP holder on comparatively favorable terms and who calculate their prices accordingly with favorable license costs, and those who concluded a license agreement with the patent acquirer and who would have to include higher license fees in their pricing if the licensing situation remained unchanged in principle. Such unequal treatment of identical situations is incompatible with the economic objectives of the FRAND declaration.

(5)

Since the acquirer's license offers must be integrated without discrimination into the licensing practice of his legal predecessor and the SEP acquirer must, within the scope of his obligation to a license seeker, name those circumstances which identify the license terms offered by him as FRAND, his license offer must be consistent with all previous licensing, including those of the legal predecessor, to the extent that they are relevant in terms of time. To achieve this, the SEP purchaser must be informed of the license agreements concluded by the vendor during his ownership. An information obligation of the vendor to this effect is directly deduced from his confidence-building commitment to license his SEP on a non-discriminatory basis. As long as he himself is the holder of the intellectual property right, the obligation is expressed in the fact that he must refrain from any discrimination when granting his own license. As soon as he has transferred the SEP, the promise of non-discriminatory licensing is expressed in the obligation to inform the acquirer who has taken his place as licensor in order to enable him to fulfil the promise of non-discriminatory licensing made for the transferred SEP. In order to make the SEP acquired enforceable, it is therefore in the SEP acquirer's own interest to make provision in the transfer agreement for a transfer of knowledge with regard to licenses already granted and their content. In practice, they are also quite common, because the patent acquirer simultaneously takes over the licenses granted to it with the property right, which for reasons of economic reason makes it absolutely imperative to obtain a clear overview of the person of the licensees and the conditions of the rights of use granted to them. Otherwise, the acquirer will not be able to determine what his contractual obligations are to the acquired licensees, nor will he be able to enforce his contractual rights and claims against them. Furthermore, the acquirer - which is also a direct consequence of the FRAND commitment made by the vendor on behalf of the SEP - must ensure that the legal predecessor is involved in ensuring that the licenses granted by him can be disclosed if necessary (e.g. in a legal dispute) in order to permit (in particular judicial) FRAND verification.

(a)

In the light of the foregoing, it remains to be seen whether the intervener's submission that it did not provide the plaintiff with details of the existing license agreements in the course of the acquisition of the patent is credible. In any event, only the objection that the intervener is prevented from disclosing the contents of the contract by contractual non-disclosure agreements with its licensees, also with regard to necessary statements in a legal dispute about the licensed property right, could be legally relevant. In order to make such a claim, the plaintiff (and/or its intervener) should have communicated the content of the alleged confidentiality clauses in detail (i.e. with the exact wording and all the circumstances relevant to the interpretation), because this is the only way for the defendant to be able to argue his case and for it to be open to judicial review as to whether the confidentiality statements made actually go as far as the plaintiff claims. However, the plaintiff has not submitted any such submission. It is therefore unclear whether the confidentiality clauses are not accessible to a useful interpretation in line with the interests of the parties, in the sense that the intervener is permitted to disclose the license contents to the extent that it is subject to a legally unavoidable obligation to do so (from the FRAND promise for the license protection right). Moreover, the impossibility could be presumed only if the impediment to performance could not be overcome by the plaintiff, which, in the present context, requires that the intervener and, in particular, its licensees, despite an emphatic request, be definitively unwilling to waive compliance with the confidentiality agreement in the context and for the purposes of the present dispute. Again, the plaintiff and its intervener do not act in that regard. Ultimately, however, the aforementioned concerns may even be overlooked and one can act on the assumption, to the benefit of the plaintiff, of the plaintiff's - insufficiently substantiated - allegations regarding the intervener's duty of secrecy. In that case, it should be noted that the intervener has culpably made it impossible for him to fulfil his antitrust duty under the FRAND commitment by means of a comprehensive confidentiality agreement, which is why it can no longer be heard in the proceedings with its objection of inability to perform. Whoever destroys or in any other way thwarts his own evidence while he carries the burden of proof remains recognised as being in need of proof and must bear the resulting consequences. The same applies to the burden of presentation prior to the burden of proof; whoever is culpably unable to present a fact in court remains subject to disclosure and fails in the legal dispute if the facts which must be presented substantiate the sued claim. Since the purchaser of the patent cannot be in a better legal position than the seller of the right, the plaintiff necessarily shares the procedural fate of its intervener.

(b)

The obligation to disclose the license agreements concluded does not violate Art. 101 TFEU. The intervener's contrary view is essentially based on the premise that the explanatory comments regarding the previous licensing practice in the license offer submitted force the SEP holder and its legal predecessor to disclose business secrets to potential competitors is contrary to antitrust principles. Already the initial thesis is wrong. The Senate's case law recognises that measures to protect trade secrets are indeed possible within an infringement process in connection with the FRAND discussion. In addition to the court orders relating to the public provided for in the Judicial System Act (GVG), the main means are confidentiality agreements which may be demanded of the party to whom a trade secret is to be disclosed. A condition for this is, of course, that the person claiming protective measures not only has to identify the confidential information, but also has to specifically demonstrate that and why the information in question constitutes a trade or business secret to be protected in the desired manner, which requires substantial submission on those measures that have so far guaranteed its confidentiality, and also requires substantial available information on the exact disadvantages threatened by the disclosure of the information in question, with what degree of probability (Senate, decision of 25 April 2006, docket no. 1-2 W 8/18, BeckRS 2018, 7036). If this is successful and if the opponent refuses to conclude a security agreement which is necessary and reasonable for the protection of secrets, the SEP holder may, in order to justify his license offer, restrict himself to blanket, suggestive statements which protect his trade secrets; they are to be treated as sufficient in procedural terms and the opponent's dispute relating thereto as irrelevant (Senate, decision of 25 April 2018, docket no. 1-2 W 8/18, BeckRS 2018, 7036). Instead of taking the trouble to justify, in relation to the license agreements relevant to the present action (because they were active during the relevant period), the extent to which the observations necessary for the proof of non-discrimination of its license offer submitted to the defendant would disclose trade secrets of the intervener worthy of protection and, in so far as that should be the case, to explain the underlying license concept of the relevant license contracts in at least a suggestive presentation, the factual submission of the plaintiff and its intervener is limited to largely theoretical discussions as to which regulatory contents are alleged to contain trade secrets in any license agreements concluded by it, whereby even this is not explained in the necessary detail.

(6)

In so far as the plaintiff and its intervener (each of whom is referred to below in cases of doubt) point out that it is de facto impossible for the seller of part of his licensed portfolio to fulfil the obligations arising from the foregoing, this does not justify a different assessment which waives compliance with the principle of non-discrimination.

(a)

Since the plaintiff and its intervener - apart from the confidentiality agreements already concluded with the intervener's licensees and the number of intellectual property rights in the intervener's overall portfolio (more than 40 000) - do not refer to specific circumstances existing within their contractual relationships and attempt to comply with the legal requirements of the prohibition of discrimination in force, but instead argue in favour of the general situation which exists in the case of the sale of a sub-portfolio, only the general transfer situation will be examined below.

Of course, constellations of facts (especially in the case of multiple, successive transfer of property rights) can be constructed, in view of which the required statements on compliance with the prohibition of discrimination become increasingly difficult and costly. Legal relevance, however, can only be attributed to this if the constellations of a repeated further splitting of the acquired portfolio in the course of subsequent sales and licensing, possibly with the additional inclusion of further property rights acquired elsewhere, are not merely theoretical games of thought, but facts with serious practical relevance. The plaintiff's factual submission does not provide any evidence in this regard. Apart from that, it remains in any case the free decision of the patent seller whether he wants to take on those stricter requirements with regard to the non-discrimination of his license offer with a further transfer of the patent with already existing difficulties. The fact that the efforts to be made increase with the complexity of the transfer and licensing cases is an inevitable consequence of the cases to be legally assessed and their peculiarity. This restricts neither in an inadmissible manner the fundamental freedom to transfer the patent nor does the considerable effort required to obtain a FRAND license constitute a sufficient reason for exempting the purchaser of the patent from compliance with the legal prohibition of discrimination without further ado; the statements to be made in this respect rather represent the "price" to be paid in the given factual and legal situation in the event of a (further) transfer of an property right. Demanding this is all the less objectionable because - and this is the correct solution to the problem - the standard of presentation must take due account of the actual difficulties that arise in individual cases from the simple and possibly also particularly complicated sequence of transmission and licensing.

(b)

If the subject of the licensing of the legal predecessor - as here - was a comprehensive IP portfolio, which he held to a (greater) extent in his own possession (or otherwise sold) and transferred (to a lesser) extent to the sueing acquirer, so that the previously licensed patent portfolio was split up into several owners, the criterion of discrimination is not determined by the mere number of intellectual property rights in the sub-portfolios, but by the fraction of the license fee agreed for the previous overall intellectual property rights package which is to be allocated to the sub-portfolios in relation to each other. The decisive factors for the division to be made is the technical significance of the patents contained in the respective sub-portfolios for the standard and the importance for the downstream product market and the sales opportunities that are attributable to those effects and characteristics of the respective property rights. It goes without saying that this cannot be done with mathematical accuracy, but ultimately results in a merely rough estimate which is familiar to the law in many ways (e.g. Sec. 254 German Civil Code (BGB), Sec. 287 German Civil Procedure Code (ZPO), determination of the causal share in the infringer's profit) and which can therefore also form the legal standard here.

Since the plaintiff and its intervener do not claim otherwise in this respect either, it is clear from life experience that a transferred portfolio of property rights is not composed arbitrarily and purely accidentally, but that its composition follows certain comprehensible rules, such as the consideration of which technology (embodied in certain intellectual property rights and property right families) remains in the hands of the vendor and which technology (embodied in certain intellectual property rights and intellectual property right families) is to be transferred to the purchaser. In the selection and allocation process, the intrinsic value of one (retained) and the other (handed over) IP right portfolio will play an important role; on the basis of this, every reasonable seller will form concrete ideas in connection with the sale of the patent about the consideration he will claim for the granting of the IP right.

If the sale - as here - is not made to a manufacturing company, but to an acquirer whose business activity is limited to patent exploitation through licensing, the price expectations of both sides will be reasonably based on the expected return that the acquirer can probably obtain from the sold portfolio. In turn, two factors play a decisive role here, namely, on the one hand, the significance of the intellectual property rights intended for transfer for the technical standard and, on the other hand, the significance for the competitiveness of the sales product on the downstream market of standard products, since both are important for the turnover and profit expectations of those license seekers who are to be addressed and won by the patent purchaser as (licensed) customers. For the pricing of the patent transfer, exactly those factors are decisive that are to be used for the allocation of the previous license for the entire portfolio to the sub-portfolios resulting from the sale of the intellectual property rights. Because this is the case, the evaluation criteria are objective circumstances which will typically already be considered in connection with the sale of the property right, which can therefore be named as such, discussed by the parties and be subject to a judicial plausibility check and therefore, they represent a factual presentation which is not only appropriate but also easily possible for the plaintiff.

(c)

The presented examination, evaluation and splitting standard is suitable, applied several times, even if the patent purchaser does not want to license the portfolio taken over unchanged (isolated), but in such a way that further SEPs from other acquisitions or own holdings are added to the portfolio. If they were also the subject of a previous portfolio licensing by the seller or purchaser, the share of the license fee attributable to the SEPs transferred or held in its own portfolio shall be determined in the same evaluative manner as was discussed for the sub-portfolio transfer and may subsequently be added to the partial license value for the first sub-portfolio.

(d)

Insofar as the plaintiff refers to complications resulting from cross-licensing or agreements on other pecuniary consideration which cannot be taken into consideration in the person of the license seeker to be treated without discrimination (e.g. because he does not possess any intellectual property rights capable of being licensed on his part or because the licensor has no interest in taking out a license due to a lack of manufacturing business operations), this is already misguided in its approach. The heterogeneous performance of the license aspirants is a problem which can arise with any license grant and which therefore confronts the patent holder with the task of complying with the prohibition of discrimination not only in transfer cases but also when all property rights remain in his hands. Had the intervener not sold parts of its portfolio to the plaintiff but kept them in its own possession, the intervener would necessarily have to consider how, in the light of cross-licenses already granted by it, it would have wished to behave in a non-discriminatory manner vis-à-vis a license seeker who either also has intellectual property rights of interest to it or who does not have such rights. The same applies to the fact that the number of intellectual property rights to be licensed changes in the course of time (e.g. due to expiration of intellectual property rights or new grants) or that the importance of individual technical features for the product market shifts. Such events also occur independently of a patent transfer and can be handled non-discriminatory by any patentee bound by a FRAND declaration. It is useful to do this in such a way that the licensing practice follows a previously considered licensing concept which considers from the outset the appropriate "license fee discount" to be granted to those license seekers who can, for example, offer cross-licenses on a smaller or larger scale. Within such a licensing concept, the non-discrimination of a current license offer will be determined primarily with regard to the licensee group that was in the same initial situation. With regard to a license seeker without his own intellectual property right portfolio, cross-licensing agreements are therefore not of importance, but those license agreements in which rights of use have only been granted in the direction of the infringer and the license remuneration is determined exclusively in money. The fact that there are no such contracts of the intervener (comparable to the circumstances of the dispute) is neither apparent nor pleaded. Any complications that might result from cross-licensing can therefore be ruled out.

bb)

The patent transfers do not constitute an infringement of Art. 101 TFEU.

The provision prohibits agreements between companies which may affect trade between Member States and which have as their object or effect the appreciable prevention, restriction or distortion of competition within the common market. Exchange contracts (as they are given here with regard to the paid transfers of the intervener's patent portfolio) as such do not fall within the scope of Art. 101 TFEU (Federal Court of Justice (BGH), NZKart 2016, 280). They are aimed at an exchange of services between the parties to the contract and, with this content, are not per se capable of giving rise to anticompetitive effects. In order to open up the scope of application of the prohibition of cartels, an ancillary agreement - at least objectively - restricting competition is therefore required within the exchange agreement, which is itself neutral under antitrust law, whereas the ancillary agreement must go beyond what is necessary in order to realise the main purpose of the exchange agreement. The decisive factor here is whether the agreed restriction of competition is objectively necessary and limited in time, area (territory) and subject matter to achieve the objective pursued by the exchange agreement (BGH, NZKart 2016, 280). If this is the case, an infringement of Art. 101 TFEU is out of the question also with regard to the ancillary agreement; if the competition clause goes beyond what is necessary, an adverse effect on competition contrary to antitrust law leading to the nullity of the contract is conceivable, whereby, however, in cases of a mere temporal excess, a reduction preserving the validity is permissible.

Neither the M1 Agreement nor the Patent Transfer Agreements contain any ancillary restraint or distortion which could open the scope of Art. 101 TFEU.

(1)

In so far as the defendant refers to the intervener's submission that the transfer of its patent portfolio was made for the purpose and in the expectation of obtaining higher license fees than it (the intervener) itself would have been able to obtain in negotiations with patent users, this is merely a motivating factor for the patent transfers, but not a clause regulating the contractual rights and obligations (= ancillary agreement) which would be necessary as a connecting factor for the prohibition of cartels.

Apart from that, as stated above, the patent purchasers are bound to the FRAND commitment in the same way as the intervener was and would be, both in terms of merits and amounts, which means that the defendant's accusation that the patent transfers are suitable for obtaining license fees which are UN-FRAND because of their inappropriate amount also lacks a substantive basis. Equally meaningless from a competition point of view is the argument that the plaintiff is not itself active on the downstream product market for standard user products, which is why it does not have to take into account, in the context of its license negotiations with a patent user, the fact that it is attacked by the latter from its own SEP portfolio. Whether the license offer of the sueing holder of the intellectual property right satisfies FRAND criteria and, in particular, whether the amount of the license fee demanded with the license offer is reasonable and non-discriminatory, is subject to unrestricted judicial review in the patent infringement proceedings (Higher Regional Court (OLG) Düsseldorf, Mitt 2016, 85), whereby it is the responsibility of the patent holder to explain to the addressee in a comprehensible manner, in advance of this examination, why the set of rules submitted with the license offer as a whole and in particular the license fee provided for therein should be fair, reasonable and non-discriminatory (= FRAND) (OLG Düsseldorf, GRUR 2017, 1219 - Mobiles Kommunikationssystem). Only when this substantive justification has been provided and the FRAND conformity of the license offer in favour of the holder of the IP right has been clarified, can a conviction be considered which would interfere further with the infringer's legal position than the obligation incumbent on every SEP user anyway to pay for the use of the foreign intellectual property by means of a FRAND license fee and a prior accounting. However, a tightening of liability is also fully justified under the circumstances in question, because the conviction for patent infringement is caused solely by the fact that the infringer unjustifiably refused the SEP holder's license offer, which satisfies the FRAND conditions - also taking into account the licenses granted by the legal predecessor - and to which he should have responded. Furthermore, it follows from the judicial reservation of review that a restriction of competition cannot yet be linked to the fact that the SEP holder raises (unjustified) license claims that are not consistent with the FRAND principles set out above in the case of a patent acquisition.

(2)

For the same reasons, it is irrelevant under antitrust law that the intervener held part of the standard essential patent portfolio in its possession. Irrespective of the fact that no contractual clause restricting competition is discernible in this respect either, the intervener is of course free to claim license fees for the use of the SEP portfolio remaining with it. Since it is subject to the formal (sic.: obligation to make a license offer) and factual (sic.: FRAND conformity of the license offer) restrictions from its licensing commitment, users of the entire portfolio do not run the risk of being obliged to pay a license fee that is not legally owed because it is unreasonably high. Because of the FRAND commitment of both the plaintiff and the intervener, the FRAND criteria also set the upper limit for any financial or other license charge of a SEP user for the use of the entire SEP portfolio. However, the fact that the intervener, because of the given framework conditions, was not able, for factual reasons, to exploit the legally permissible scope of a FRAND license fee in contract negotiations with infringers may be the case but is of no significance under antitrust law. Antitrust law does not serve to protect a patent infringer from being required to pay license fees for the use of another's intellectual property to the extent permitted by law. In so far as the intervener has already granted licenses which are economically inadequate to its own detriment, the plaintiff, as successor in title, is also bound by the principle of non-discrimination to the licensing practice of the intervener which it has applied to date and from which it itself - and consequently also its successor in title - may depart only if and in so far as factual differences in the licensing situation justify that.

(3)

To the extent that the defendant complains about the procedural costs of its claim for patent infringement in several countries, the defendant refers to a purely factual conduct which is completely irrelevant under antitrust law. In a constitutional state, it is the good right of every patent holder to enforce his alleged claims in court. Even if the intervener - for which in fact there is no evidence at all recognizable - in the course of the patent transfer insisted that the plaintiff asserted a claim against the defendant for patent infringement, this does not result in any antitrust consequences. Precisely because the intervener participates by way of a percentage share in the license fees obtained by the purchaser of the patent, it is - on the contrary - a perfectly legitimate commercial interest for the purchaser, if necessary by means of an action for infringement, to ensure that the defendant does not evade its obligation to pay FRAND license fees. Because of the principle of cost reimbursement applicable in Germany, the defendant does not run the risk in this context of remaining burdened with financial disadvantages if it wins. In so far as different cost regulations exist elsewhere, nothing else shall apply. For in such a legal situation it corresponds to the express will of the legislator and can therefore not be regarded as a circumstance relevant to antitrust law that a litigant, despite its victory in the legal dispute, has to bear the costs of its prosecution or legal defence itself.

(4)

Whether the legal situation could be judged differently if an extensive SEP portfolio is downright "atomised" by splitting the entire package into an unmanageable number of individual holders, with whom the license seeker has to deal in his license negotiations, does not need to be decided in this dispute, because such a situation is not present in this dispute from the beginning.

(5)

At the same time, it follows from the foregoing that the fee regulation in Section 3.4 of the M1 Agreement also cannot support the allegation of an infringement of antitrust law.

First, as regards the rule that the intervener is entitled, under certain conditions, to 70 % of the license fees generated by the purchaser of the patent portfolio, that is irrelevant from the outset. Even if the license share were to be judged to be unreasonably high, there would at most be an exploitation abuse to the detriment of the patent purchaser, which could not give rise to any concern on the part of the defendant within the meaning of the prohibition of cartels under Art. 101 TFEU.

Equally unobjectionable is the agreement that, in certain situations, the assessment basis for the share of license fees to be paid to the intervener is not the actual license fee income earned by the purchaser of the portfolio, but instead a so-called 'Applicable License fee Rate'. It represents an agreed minimum license amount which, as a measure of calculation, ensures that the intervener receives appropriate remuneration for its transferred intellectual property right in the event that the purchaser does not succeed in generating sufficient license fee income. There is nothing to be said against this type of remuneration agreement under the rule of private autonomy. This is also true in view of the fact that the Applicable License fee Rate may indirectly provide an incentive for the purchaser not to agree to any lower license fees, as otherwise he would have to pay part of the license fee owed to the intervener from his own financial resources. In essence, however, the situation is no different from that which would have existed if a fixed purchase price had been agreed for the portfolio acquisition - which would have been completely unobjectionable from an antitrust point of view. This would also have made it economically necessary for the purchaser, the higher the agreed purchase price, to conclude as lucrative a license agreement as possible. In addition, the incentive for a certain minimum license remuneration within the FRAND framework would affect all prospective licensees equally, so that it is not clear to what extent the remuneration regime in the M1 Agreement could lead to a competitive impediment of demanders on the licensing market.

5.

[...]

6.

a)

Whether the plaintiff has complied with its FRAND commitment and the resulting obligations has no bearing on the defendant's liability for damages, which is to be determined by the court (i.e. on the merits). The defendants are guilty of an unlawful and culpable patent infringement solely because they have commenced use of the plaintiff's patent without a license agreement concluded between them and the plaintiff (or their legal predecessor) legitimising the use of the patent. Even if the damages to be paid (for certain periods) were limited in amount to a FRAND license fee, because the defendants have done what is necessary on their part to enable the conclusion of a license agreement on FRAND terms, the financial compensation due for the use of the plaintiff's patent would still be in substance the payment of damages. The defendant's obligation to do so must therefore be determined regardless of whether the plaintiff is entitled to only a

(FRAND) license fee as compensation for the loss or whether the loss can also be liquidated according to other calculation methods. In view of the request for a declaratory judgment, which merely requires the probability of any damage occurring, all this is currently not open to decision, but will only be clarified in the subsequent litigation. In so far as the defendants refer to problems of res judicata resulting from the fact that the objection of being solely liable for a FRAND license fee is cut off in the amount proceedings once their liability for damages has been established, this is not the case. Difficulties of this kind can only arise if the question of a breach of antitrust duty would be part of the reason for liability for damages due to patent infringement, which - as explained - is not the case. This is also supported by another consideration. The refusal of the market-dominant patent holder to submit a license offer in accordance with FRAND to the license seeking patent user constitutes an at least negligent infringement of its duties under Art. 102 TFEU which in turn obliges the patent holder to pay damages to the license seeker (Sec. 33 (1) and 33a (1) Act on the Restraint on Competition (ARC)). The damage to be liquidated in this legal relationship consists of being liable for the use of the plaintiff's patent for more than a FRAND license fee to be paid in case of lawful conduct of the patentee (namely to full damages), which is why the claim of the license seeker for restitution in kind is to exempt him from such claims for damages which go beyond a FRAND license fee. This independent counterclaim of the infringing defendant is by no means decided with legal force in the context of the determination of damages.

b)

For the same reasons, the defendant's claim to the grant of a FRAND license does not alter the fact that they have to provide information for the past in accordance with Sec. 140b PatG on account of their acts of unlawful use undertaken without that license.

c)

The situation is different with regard to the claim to render account.

aa)

The plaintiff can only request information from the defendants on its costs and profits for those periods of use for which the plaintiff is not limited to demanding a FRAND license fee (for which the said costs and profits are not required) because it and its legal predecessors have fulfilled their obligation to cooperate in licensing the patent on FRAND terms, but the defendants have not (OLG Düsseldorf, GRUR 2017, 1219 - Mobiles Kommunikationssystem). Since the limited accounting obligation is a consequence of the patent holder's breach of its antitrust obligations, it is clearly not the case that it is denied legal protection under the provisions of the Enforcement-Directive and that the patent infringer is virtually invited to delay licensing. Rather, it is exactly the opposite, because the patent holder, following a request for licensing by the infringer, has the power to secure his full claim for damages and accounting by quickly submitting a license offer which is formally and substantively correct. The obligation to take the initiative for a FRAND-compliant license offer remains – as in the case of the right to cease and desist - on the part of the patent holder, who through his FRAND promise has not only established a legitimate trust in the SEP holder's willingness to voluntarily license in the course of business, but who is also solely aware of the license agreements that have already been concluded, against which discrimination must be avoided. In view of both circumstances, it makes no difference, that would justify a divergent legal treatment, whether the same FRAND promise (as in the case of injunctive relief) is to be used to derive an obstacle to enforcement under procedural law which blocks the claim or (as in the case of accounting claims and claims for damages) a restriction of the substantive content of the claim. It is also irrelevant that the action for infringement was brought by the plaintiff before the decision of the ECJ (GRUR 2015, 764 - Huawei Technologies/ ZTE) was published. The interpretation of Union law by the Court of Justice is purely declaratory and therefore also applicable by the Member State courts to legal relationships established before the preliminary ruling was given (Federal Constitutional Court (BVerfG), NJW 2010, 3422). Since the obstacle of a completely missing or insufficient FRAND license offer can be removed, the action must be dismissed as "currently unfounded" - as has happened. In connection with the accounting information, this means that the plaintiff's claim to information on the costs and profits is (finally) rejected for all those acts of use, which were taken during a time where a FRAND offer has not been made contrary to duty. If, - as here -, during the complete trial such an offer has not been made, the rejection takes place accordingly for the time up to the last oral hearing or up to the deadline granted to the plaintiff for the submission of written pleadings.

Insofar as the Mannheim Regional Court (GRUR-RR 2018, 273 - Funkstation) intends to award "due to the special FRAND situation" cost and profit details even if ultimately only a FRAND license fee is to be paid, the Senate does not follow this approach. Apart from the fact that the "peculiarities" that are relevant to the demands are not specified in more detail and are not accessible to the Senate, it corresponds to a general principle that only those individual data are subject to disclosure on which the injured party relies for its calculation of damages. In this regard, nothing special applies to patent infringements in connection with a SEP. In this case, too, the obligation to render accounts is justified in accordance with the principles of good faith (Sec. 242 BGB) from three interlinked points of view, namely from the ignorance of the person entitled regarding the data required to provide information without his fault, from his reliance on the information in question for the pursuit of his claims and from the possibility of the person obliged to provide the injured person with the knowledge necessary for him without difficulty. Where certain commercial data (on costs and profits) are not objectively required because they are not necessary for the sole purpose of calculating damages under FRAND rules, there can be no right to disclosure. This is not to be seen differently due to the fact that the patent use constituting liability for damages took place in connection with a technical standard.

However, all other data normally awarded for the purpose of calculating a (compensation or indemnity) license fee shall be provided. In this regard, the FRAND license does not differ fundamentally from a normal license owed as damages or compensation; as in the case of the latter, the license seeker must also give an account in a FRAND situation of all those business data which allow the patent holder to reproduce the turnover figures communicated to him - strictly speaking only those relevant to the license - and to check their correctness with regard to content, for which detailed information on the individual delivery processes and their actors, the offers and the advertising undertaken is required. As far as the defendant for the first time with statement of 06 March 2019 claims that such information is completely unusual in (freely negotiated) license agreements, that is not only a new, unexcused submission that cannot be admitted for procedural reasons, but is also merely a general statement of fact that cannot be convincing for this reason alone, because licensors naturally have a vital interest in being able to verify the turnover figures provided to them by the licensee, and it is not clear in what other way than by the data substantiated by the fee-based turnover transactions the possibility of an inspection could otherwise be opened up. The defendant does not make representations in this respect, too.

bb)

The plaintiff has failed to fulfil its obligations under the FRAND declaration made in respect of the patent, and the defendants are therefore right to take the view that, for that very reason, they are currently obliged only to render accounts in respect of the payment of a FRAND license fee and not to pay any further compensation and preparatory accounting. Since the plaintiff itself limited its accounting claim concerning the profits and costs of the defendant in the appeal proceedings to the period since 29 June 2017, it is irrelevant whether the plaintiff has already complied with its obligation to report infringement pre-litigation and whether the defendants have applied for a FRAND license. In any event, both obligations have been fulfilled with regard to the statement of claim and its response, and the plaintiff's breach of antitrust obligations for the relevant period from 29 June 2017 follows in any event from the fact that it did not submit a license offer satisfying FRAND requirements following the defendant's request for licensing.

However, the plaintiff's statement at the hearing on 21 February 2019 that it did not wish to make a new license offer, taking into account the license agreements concluded by the intervener during its ownership of the patent subject to the action, does not justify dismissal of the action for the future either. The plaintiff's comment, with reasonable understanding, merely states that it maintains its view that it is not bound by the licensing practice of its predecessor, which is its right. Accordingly, the background to the statement was also the question of the Senate as to whether a postponement was necessary in order to enable the plaintiff within the appellate court to improve its license offer in compliance with the legal opinion of the Senate. The plaintiff denied this alone, which of course does not exclude the possibility that, if the Federal Court of Justice approves the Senate's assessment, it will bow to it and will inevitably offer the defendant a license, taking into account the relevant Ericsson licenses, in view of the framework conditions which have now been finally clarified.

(1)

By the judgment under appeal, the Regional Court found, without objection, that the plaintiff (and its legal predecessors) enjoys a dominant position on the market for the grant of licenses in the patent in respect of which the action is brought, since, without the use of its technical teaching, no product will be obtained which could compete effectively on the downstream product market with equipment using the invention. This finding does not reveal an error of law and the parties do not submit anything against it. At the latest when the action was filed, the infringement notice owed by the plaintiff was given and the statement of defence (pp. 9 et seq.; GA IV), with which the defendants have claimed a claim for the granting of a FRAND license for themselves, also contained the request for the granting of a license.

(2)

After the interplay of the mutual obligations envisaged by the ECJ, it was now up to the plaintiff, under the circumstances indicated, to make the defendant an offer of a license for the plaintiff's patent under FRAND conditions. It had to be in writing and concrete, in particular the license fee and the way in which it was calculated, and it had to be factually and substantively free of discrimination and exploitation (ECJ, GRUR 2015, 764 - Huawei Technologies/ZTE). Only a license offer which is perfect in every respect triggers obligations on the part of the patent user to act, from whose disregard the infringer can derive rights for himself. However, the plaintiff did not submit a sufficient license offer.

(a)

With the very first license transaction, the SEP holder must opt for a specific licensing concept that binds him (and his legal successors) in the future, because moving away from the model once established is only possible if and to the extent that this does not result in unlawful discrimination (worse treatment) against later or former licensees. In the case of the initial license, therefore, the requirement to license "fair" and "reasonable" is in the foreground, while the question of discrimination (in comparison to what else?) does not arise due to the lack of a reference contract. If the license conditions chosen at the time of the initial award take into account the requirements for an exploitation-free content, the prohibition of discrimination is the focus of consideration for all further licenses. It prohibits and prevents - insofar as no correspondingly different licensing situations exist - any upward or downward deviation from the license level stipulated by the initial licensing in a manner relevant to competition, and thus quite significantly outlines the scope for negotiation which the SEP holder still has in subsequent license negotiations. The prohibition of objectively unjustified unequal treatment applies here without any exception and consequently also if the FRAND fee framework, which is possible per se, was not exhausted at the time of the initial licensing - and if it was even clearly exhausted - and the licensing practice, which was changed later, aims to bring the license remuneration (which would have been possible at the beginning) into the upper range of what is legally permissible from an exploitation point of view. This is because the purely subjective failure of the SEP holder to negotiate or deliberate yielding of the SEP holder during the initial licensing process cannot be recognized as a factual reason for later license seekers having to resign themselves to financially worse terms of use in competition.

At best, significant would be compelling economic reasons for an increase in the license fee, with all license agreements having to be amended accordingly. This in turn presupposes that the existing, favourable contracts contain corresponding opening clauses or that legal options exist for a subsequent increase in license fees (e.g. due to the loss of the basis for the transaction) and the licensor actually makes use of them. For the future, license agreements are also irrelevant from a discrimination point of view if and as soon as they have been effectively terminated.

Licensing conditions brought about by a court do not constitute facts which can be used to accuse the SEP holder of discrimination because there is no (free) entrepreneurial decision in this respect (BGH, WRP 2004, 374 - Depotkosmetik im Internet; Higher Regional Court (OLG) Düsseldorf, NZKart 2014 , 35 - Frankiermaschinen II; OLG Düsseldorf, NZKart 2018, 235 - Mitbenutzung von Kabelkanalanlagen). However, if the court's requirements conflict with a previous licensing practice, they do not provide any justification for contradicting that practice with subsequent licenses that follow the judgment. Rather, the licensing practice which the SEP holder and his legal predecessors have put into practice in free entrepreneurial responsibility remains decisive for the accusation of discrimination, whereas the deviating conditions brought about by the court do not in themselves justify an accusation of discrimination, because in view of the court action there was an objective reason to conclude them.

Even if the equal or unequal treatment of licensees depends on a purely competitive-economic approach, the prohibition of discrimination in many cases nevertheless means that the license model initially preferred cannot subsequently be changed over in favour of another. This is because the calculation concept changes the basic rules of the remuneration provision, making it incalculable in case of doubt whether the other remuneration model - which would have to be accepted - would merely lead to a marginal or - which would be objectionable from the point of view of discrimination - to a more far-reaching, more than just an insignificant advantage/deterioration for the new licensees.

(b)

The relationships described have direct consequences for the SEP owner's burden of presentation, who, according to the ECJ case law (GRUR 2015, 764 – L Technologies/ZTE), owes explanations on the "method of calculation" of the license fee demanded by him in connection with his license offer. Since the license offer - at least as a matter of urgency - has to regulate future acts of use, the scope and intensity of which cannot be foreseen and for which therefore no fixed amount of remuneration can reasonably be used in advance, the information on the "method of calculating the license fee" necessarily means something else, namely an explanation of the circumstances which show that the contractual remuneration parameters, for example reference valuee and license fee rate, are non-discriminatory and non-exploitative (= FRAND) (OLG Düsseldorf, order of 17 November 2016, docket no.: 1- 15 U 65/1 5; OLG Düsseldorf, GRUR 2017 , 1219 - Mobiles Kommunikationssystem). The patent holder must therefore explain in concrete terms why he believes that the remuneration parameters included in his offer (reference value, license rate) and the license remuneration resulting therefrom lead to a license fee which is non-discriminatory and non-exploitative for the license seeker compared with other license seekers. Such information is necessary not least due to the face that the license seeker can only reasonably discuss the license offer submitted to him with regard to his FRAND compliance if he is aware of the circumstances affecting previous licensing practice.

If the patentee or his legal predecessor has already granted licenses, it must be shown to the opponent that the license offer either treats him equally or why it treats him unequally in which respect. In connection with the license offer - which the license seeker naturally cannot know - it must therefore be disclosed whether there are other licensees and, if so, what content the license agreements concluded with them have, in particular which uniform licensing concept (if any) the agreements follow. This is because the said active contract contents set the legal standard for the SEP holder's ban on discrimination in licensing. If different license agreement contents have been agreed upon over time, the question of an unobjective and thus unlawful unequal treatment of the concrete license seeker in relation to each of the diverging license agreements arises in principle, unless a certain agreement is already ineffective due to exploitation abuse. In addition, the SEP holder owes the SEP holder a sufficiently well-founded justification in terms of content for why the license fee he or she has applied - in particular with the first license - is reasonable ("fair, reasonable") in terms of the amount in FRAND. As far as licensing by legal predecessors of the plaintiff is concerned, such an obligation to notify exists with regard to their licensing behaviour because the SEP acquirer - as explained - enters into the licensing practice of his legal predecessor(s) and in the course of the patent transfer has the legal opportunity to gain insight into existing or former license agreements.

For the future, license agreements are also irrelevant from a discrimination point of view if and as soon as they are effectively terminated, whereby it is not the date of the notice of termination that is important, but the time at which the termination takes effect (= expiry of the notice period/end of the fixed contract term). Contract terminations can therefore open up new scope for the SEP holder to negotiate the award of licenses. If the patentee succeeds in terminating all license agreements at a certain point in time in a legally (in particular antitrust) admissible manner, he or his legal successor can - solely by observing the prohibition of exploitation - switch to a new licensing concept which is different from the previous one and which only binds him from now on within the scope of the prohibition of discrimination. The decisive factor is the time of the license offer specified by the claim in question. For example, you can ensure that the license agreements expire by keeping a fixed end date in mind from the outset that is agreed upon in the first license agreement and marks the end date for all subsequent license agreements. The fact that, as a result, all those who follow the first licensee will only benefit from a license period which is shortened in proportion to their delay in concluding the contract is without legal concern, since the dominant company is also free in principle to rearrange its commercial policy and the interest of the patent holder in reassessing the terms of the license within the FRAND scope after a certain period of time represents an objectively justified reason whereas the coordinated terms ensure that each licensee must at all times cope with the same license terms as his competitors. This alone is relevant regarding discrimination and not that the subsequent licensee can expect the same number of years with certain licensing terms applicable at the time of entering into the contract. However, if the new licenses provide for significantly higher license fees, in view of the milder license conditions practised in the past, more detailed submissions by the patent holder are required, which is why the increased license fees are (also) "fair" and "reasonable".

It may be that in the case of extensive portfolios in particular, the same termination time for all licenses can only be implemented with considerable logistical effort. If this is the case, it does not follow from this, however, that a binding of the legal successor to the licensing practice of his legal predecessor is inappropriate and may not take place, but - conversely - only makes clear the special significance that a careful sounding out of the licensing conditions under application of the exploitation prohibition has. The SEP holder will therefore have to weigh the conditions of his initial license with even greater care if he is bound to it in the longer term from a discrimination point of view.

(c)

In its pleadings, the plaintiff deals with licenses active at the relevant times only in so far as it concerns rights of use granted by itself during its ownership. In the light of the above, this does not go far enough because the SEP acquirer must accept the licensing practice of its legal predecessors within the scope of the prohibition of discrimination. In the dispute, this aspect is all the more important as the intervener openly acknowledges that the transfer of its patent portfolio to the Unwired Planet group has served to generate higher license fee income than it (the intervener) itself has been able to generate in the past. Since all license agreements are decisive in assessing whether the defendants are discriminated against by the license terms submitted to them, it is - as explained above - each and therefore also and especially those license(s) which were concluded by the intervener at the time of its SEP ownership and which were/are still in force at the time of the legally offered license offer that matter. The existence of such contracts defining the standard of discrimination to be observed by the plaintiff was admitted by the plaintiff upon request. Therefore, in order to justify the non-discriminatory nature of its license offers to the defendants, it would have been for the plaintiff to disclose all the licenses which concern or include the patent in suit and to consider, on the basis of its arguments, whether the defendants are offered conditions which are identical in economic terms or, if that is not the case, why there should be an objective justification for unequal treatment of the defendants in certain respects in relation to licensees of the previously entitled intervener. The plaintiff does not comment in the necessary manner in relation to all of this. At the hearing on 21 February 2019, it categorically refused to disclose the intervener's licenses. Nothing in that regard has changed as a result of the pleadings of the plaintiff and its intervener. The general reference to the presentation of the intervener's licensing practice, submitted by other legal representatives in another case, does not make any specific reference to those facts which may be relevant to the present case, nor is it explained by the plaintiff and its intervener. Equally irrelevant are the observations on what the UK infringement court did in determining the FRAND license in foreign parallel proceedings. Since the Senate must convince itself of the freedom from discrimination of the license offers in dispute, the relevant facts must be presented in detail to the Senate, which did not happen and for which there is no willingness according to the plaintiff's unchanged statement of intent. Consequently, the license offers addressed to the defendants do not show in the appropriate manner the license fee and the way in which they are calculated, thus maintaining the privilege of the defendants to owe no more than a FRAND license fee for the use of the plaintiff's patent.

Kather Augenstein Rechtsanwälte

Bahnstraße 16

40212 Düsseldorf

P: +49 211 5135360

E-Mail: augenstein@katheraugenstein.com / info@katheraugenstein.com