KATHER · AUGENSTEIN
RECHTSANWÄLTE

Regional Court Mannheim

2 O 34/19

Judgment of 18 August 2020

[...]

Reasons

[...]

C.

The claim for injunctive relief resulting from the infringement is also enforceable. Enforceability is not precluded by the dilatory objection of the Union law prohibition of abuse of a dominant market position under Article 102 TFEU (see I.). The defendant's objection of abuse is unfounded (see II.). A FRAND objection derived from the interveners as the defendant's suppliers also does not apply (see III.).

I.

An action by a market dominant patentee who has undertaken 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, judgment of 16 July 2015, C-170/13, GRUR 2015, 764, 766 et seq. - Huawei/ZTE; FCJ, judgment of 5 May 2020, KZR 36/17 marginal 68 - FRAND-Einwand; FCJ, judgment of 6 May 2009, KZR 39/06 marginal 22 et seq., BGHZ 180, 312 - Orange Book Standard). According to these provisions, applications to bring an action for an injunction, among other things, may be abusive (see also HRC Karlsruhe, judgment of 6 May 2009, KZR 39/06, para. 22 et seq. 30.10.2019, 6 U 183/16, GRUR 2020, 166 marginal no. 87 - Datenpaketverarbeitung; HRC Düsseldorf, judgment of 30.03.2017, I-15 U 66/15, GRUR 2017, 1219 margin note 220 - 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. nos. 46, 53, 58 - Huawei/ZTE; FCJ, judgment of 5 May 2020, KZR 36/17 nr. 69 - FRAND-Einwand). This is because the standard essentiality does not alter the fact that the patent holder has to tolerate the use of his patent only if he has either allowed the person who makes use of its technical teaching to do so or, in any case, must allow him to do so while observing his obligation not to abuse his market power.

There is no abusive enforcement of the claims in the above sense if, first, the proprietor of the patent has alerted the alleged infringer, before bringing the action, 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, secondly, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, presented to that infringer a specific, written offer for a license on such terms, specifying, in particular, the royalty and the way in which it is to be calculated, and, where the alleged infringer continues to use the patent in question, the alleged infringer has not diligently responded to that offer, in accordance with recognized commercial practices in the field and in good faith, this being a matter which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics (CJEU, ibid. para. 71 - Huawei/ZTE). If the alleged infringer does not accept the offer made to him, he can only rely on 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).

The program of obligations presupposes that the person who intends to use or has already used the patent and has already put patented products on the market although he does not have a licence, is prepared to take a licence to this patent on reasonable and non-discriminatory terms (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 70 - FRAND-Einwand). Even the patent holder with market power does not have to force the taking of a licence on anybody and has no legal means to do so, as the potential licensee can demand the conclusion of a licence agreement from him, but the patent holder, on the other hand, is not entitled to such a claim.

Conversely, the patent proprietor, for his part, must make adequate efforts to meet the special responsibility associated with the dominant position and make it possible for an infringer who is in principle willing to license to conclude a license agreement on reasonable terms (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 72 - FRAND-Einwand). Among other things, the market-dominant patent holder may be prohibited from seeking an injunction against the infringer who has been informed of the infringement of the patent at issue if the infringer has declared that he wishes to take a licence on the patent at issue, but is not able, or in any case is not in a position, to formulate on his own initiative the conditions which the patent holder must grant him in compliance with the prohibition of discrimination and obstruction applicable to him (FCJ, Urt. of 05.05.2020, KZR 36/17 marginal no. 75 FRAND objection).

II.

In the present case - after the plaintiff has pointed out the the patent infringement (see 1.) - the defendant is not entitled to a FRAND objection for lack of willingness to license, since it always refers to its suppliers with regard to the "whether" and "how" of the license (see 2.). The defendant seeks to ensure that the royalty relates to the sales price of its suppliers, which in the defendant's counter-offer is a mirror image of the purchase price used as a reference. Since this does not allow the plaintiff a fair share of the benefit of the technology in the saleable end product, the counter-offer is not FRAND-compliant, which significantly confirms the lack of willingness to take a license. The lack of willingness to take a license is also not justified by any alleged discrimination, obstruction or insufficient information basis (see 3.). It can therefore be left unanswered whether the plaintiff has a dominant position on the domestic market or on the European internal market.

1.

The plaintiff alerted the defendant to the infringement by emails dated 21 June 2016, 9 November 2016 and 7 December 2016.

a)

The infringement notice is intended to alert the infringer's attention to the infringement and to the possibility and necessity of taking a licence (on this and on the following FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 85 - FRAND-Einwand). It is sufficient that the patent is designated and the specific act in which the infringement is to take place is indicated. The latter requires the designation of the type of infringing act and the challenged embodiments. Detailed technical or legal explanations of the infringement allegation are not required; the infringer must only be put in a position - if necessary with expert assistance or by obtaining legal advice - to form a picture of the justification of the patent infringement allegation. The presentation of the infringement allegation on the basis of "Claim Charts", which is widely used in practice, is regularly sufficient, but not mandatory.

b)

The plaintiff first informed the defendants by email of June 21, 2016 (AR 12), which was then further substantiated by email of November 9, 2016 (AR 15), which contained a first license offer, and of December 7, 2016 (AR 13), about the alleged patent infringement, with the name of the patent in suit and the indication of the way in which it is alleged to be infringed.

On [...], the plaintiff provided the defendant with a list of its patents declared as essential to the standard, including the patent in suit, and pointed out the defendant's infringement of the LTE standard, among others. Insofar as the plaintiff did not yet show a technical connection between the patent in suit and the specifically relevant passages of the standard documentation on [...] (which subsequently took place on [...] with the transmission of a claim chart for the patent in suit), this is prejudicial. This is because the infringement notice does not necessarily allow for a final assessment of the infringement allegation. A concretization of the infringement allegation as to the concerned section within the standard is thus generally not required (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 87 - FRAND-Einwand; leaving this question unanswered: RC Düsseldorf, judgment of 31.03.2016, 4a O 73/14 marginal 132 - juris; treated as a question of the individual case: RC Mannheim, judgment of 29.01.2016, 7 O 66/15 marginal 48, GRUR-RS 2016, 04228 - Steuerkanal).

The attacked embodiments are adequately designated in the concretising email of 07.12.2016 at the latest. In this email, the plaintiff states, among other things, that its allegation of infringement is linked to the implementation of the LTE standard in the defendant's cars with built-in connectivity (e.g. through [...]). It is irrelevant that the plaintiff did not name the specific vehicle components of the defendant, such as the TCU, which generate the LTE capability. This is because these components are purchased by the defendant and assembled to form the final product, so that there is no information deficit on the part of the defendant.

Overall, the plaintiff thus enabled the defendant to review the infringement of the patent in suit by 7 December 2016 at the latest, if necessary with further assistance from experts. There are no concrete indications that the defendant was not in a position to do so. In particular, the following correspondence between the parties does not provide any indication in this regard. While the defendant asked in emails prior to 7 December 2016 for basic information on the patent portfolio, the technology concerned and its connection to the attacked embodiments (B-KAR 4, B-KAR 5 and B-KAR 6), the subsequent correspondence already concerns further exchanges and requests for information on the FRAND conformity of the first licence offer (see in particular [...]).

2.

However, the defendant did not then sufficiently declare its intention to conclude a licence agreement on FRAND terms. There is no willingness to take a license.

a)

Following the notice of infringement, it is not sufficient, in order to create further obligations on the part of the dominant patentee, for the infringer to merely show that he is prepared to consider concluding a licence agreement or to enter into negotiations to determine whether and under what conditions the conclusion of such an agreement would be appropriate for him. Rather, according to recent case law of the Federal Court of Justice, the infringer must declare his clear and unequivocal willingness to conclude a licence agreement with the patent holder on reasonable and non-discriminatory terms and must also subsequently participate in the negotiations on the licence agreement in a targeted manner (FCJ judgment of 5 May.2020, KZR 36/17 marginal no. 83 - FRAND-Einwand; High Court of England and Wales, judgment of 5 April 2017, [2017] EWHC 711 (Council) marginal no. 708 – Unwired Planet v Huawei: "a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND"; lower instance dissenting view: an informal and blanket declaration is sufficient, HRC Düsseldorf, judgment of 5 April 2017. 30.03.2017, I-15 U 66/15, marginal no. 152, GRUR 2017, 1219 - Mobiles Kommunikationssystem). In particular, a conditional declaration of willingness to license is insufficient (FCJ, judgment of 5 May 2020, KZR 36/17 marginal 96 - FRAND-Einwand). Likewise, a lack of willingness to take a license can also be inferred where the infringer insists on his own counter-offer and declares that he is not prepared to improve the offer (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 98 - FRAND-Einwand).

The background to this is that appropriate conditions for a contractual relationship, in particular an appropriate price, are regularly not objectively determined, but can only be recorded as the result of (possibly similar) negotiated market processes. Therefore, the serious and targeted participation of the company seeking a licence in the negotiation of appropriate contractual conditions is of decisive importance (CJEU, ibid. para. 65-68 - Huawei/ZTE; FCJ, judgment of 5 May 2020, KZR 36/17 para. 81 - FRAND-Einwand). In contrast to contractual negotiations, which a company willing to obtain a licence aims at before commencing use, the infringer's interest can also be directed solely or in any case primarily at delaying the patent proprietor until the expiry of the term of protection of the patent at issue, because he is then no longer threatened with an injunction order (CJEU, ibid. marginal 65 - Huawei/ZTE; FCJ judgment of 5 May 2020, KZR 36/17 marginal 82 - FRAND-Einwand). Such behaviour is economically even more attractive if the licensing of a number of patents or a patent portfolio is at issue, but the patent holder only receives compensation for the use of this patent after the patent in suit has expired (FCJ, ibid. - FRAND-Einwand).

b)

According to those standards, the defendant in the present case did not express clearly and unequivocally that it would itself accept a licence on FRAND terms. It always refers to its suppliers as to the "whether" and "how" of the licence. The defendant considers that the suppliers should become licensees (see (aa) below) and that the licence fee should also be based on the sales price of these suppliers (see bb) below).

It can remain undecided whether a declaration of willingness to license can be made before the infringer is notified. In the first reactions of the defendant prior to the concrete infringement notification on 7 December 2016, the defendant made a licence acceptance subject to the condition that its products actually infringe patents of the plaintiff (email of 10 June 2016, B-KAR 4; email of 30 June 2016, B-KAR 5; email of 18 November 2016, B-KAR 6). In doing so, the defendant not only wanted to reserve the right - permissibly - to have the question of the use of the patent in suit and its legal validity clarified in court even in the event of a FRAND licence agreement coming into existence, but it itself only issued the declaration of willingness to license - inadmissibly - in a conditional form (see FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 96).

aa) The defendant referred the plaintiff to its suppliers as licensees after the infringement notice had become more specific.

Already by email of 14.12.2016 (B-KAR 7), the defendant stated that the most efficient way would be for suppliers - instead of the defendant - to become licensees („Neither the claim charts nor your email contain a sufficient explanation for your refusal to provide licenses to B.'s suppliers. As stated earlier, the most efficient way to license your patents would be licensing the source, eliminating the need to identify and license the companies selling the end product, especially if the supplied products already incorporate the respective standards. So far, you have not shown that this is not the case here.“).

In so far as the defendant continued to state that it was prepared to take a licence on FRAND terms, it again qualified this statement by stating that, in view of the lack of information, inter alia, on the preferential licensing of suppliers, it was too early for a meeting. The fact that the defendant's statement was to be understood as a reference to its suppliers according to the relevant objective recipient horizon (see FCJ loc. cit. para. 95 - FRAND-Einwand) is also shown by the fact that the plaintiff took this into account and presented the defendant with the "Tier 1 licensing model" on 5 May 2017, in which the Tier 1 suppliers were to become contractual partners of the offered licensing agreement (AR 17).

The defendant reacted to the Tier 1 licensing model by withdrawing from the licensing negotiations. On 17 May 2017 and 31 January 2018, it informed the plaintiff that it considered participation in the licence negotiations to be unnecessary and that it had instructed its suppliers to conclude a licence agreement (email of 21.06.2017, B-KAR 8; email of 31.01.2018, B-KAR 9 [as a response to AR 16]: „With regard to your email of January 26, 2018, we would like to confirm first that B. has not changed its view that B. does not need to participate in the negotiations and the final contract between its suppliers and Kl. as long as this contract ensures that the suppliers can offer and supply their products ‚free of third party rights' to D. We are not aware of having communicated anything differently to our suppliers when we instructed them to obtain a license from you.").

Against this background, it is also not sufficient for the defendant at the same time to state in the email of 31.01.2018 that it is prepared to take a licence on FRAND terms. Such a general assertion, which is meanwhile contradicted by other statements in the same email, is also insufficient against the background of the absence of several months from the negotiations, which continued until February 2019.

bb) As regards the royalty, the defendant also refers to its suppliers by seeking to align it on the suppliers' sales price or their purchase price.

This can be seen, for example, in the defendant's email of 19.03.2019 (B-KAR 10), in which it reacted to the plaintiff's second licence offer of 27.02.2019 (AR 14). The defendant rejected this second licence offer because the licence price was not based on the suppliers' components but on a value of connectivity in the end product. The fact that the supplier level should be decisive in the view of the defendant had already been emphasised by the defendant in its complaint against the plaintiff submitted to the EU

Commission on 26.11.2018 (B-KAR 1), to which it expressly referred in the email to the plaintiff.

The defendant continued this line when it submitted a counter-offer to the plaintiff on 9 May 2019 (B-KAR 12, B-KAR 13), the royalty for which was based on its average purchase price of TCUs - and thus the sales price of Tier 1 suppliers.

c)

The fact that this royalty in the counter-offer of 9 May 2019 is not FRAND-compliant is decisive confirmation of the defendant's unwillingness to license. It can be left open whether the counter-offer made after the action was filed was still in time or could be made up for (the possibility of making up for the declaration of readiness to license is left open by the Federal Court of Justice, judgment of 5 May 2020, KZR 36/17 marginal nos. 94, 97 - FRAND-Einwand; affirmative by the Higher Regional Court of Karlsruhe, judgment of 5 May 2020, KZR 36/17 marginal no. 94, 97 - FRAND-Einwand; affirmative by the Higher Regional Court of Karlsruhe, judgment of 5 May 2020, KZR 36/17 marginal no. 94, 97 30.10.2019, 6 U 183/16 marginal 106 ff., GRUR 2020, 166 - Datenpaketverarbeitung; HRC Düsseldorf, judgment of 30.03.2017, I-15 U 66/15 marginal 158, GRUR 2017, 1219 – Mobiles Kommunikationssystem; negative e.g. RC Düsseldorf, judgment of 31.03.2016, 4a O 73/14 marginals 156 et seq. - juris).

The royalty provided for in the counter bid is not reasonable, as the reference value used in the top-down approach in the form of the average purchase price of TCUs is inappropriate. This reference value prevents the plaintiff from participating reasonably (aa) in the benefit of the technology in the saleable end product (bb). The unreasonableness is further confirmed by the fact that in the automotive industry, with the Avanci pool licensing model, there are templates which relate to the last stage of the value chain (see cc).

aa) At the outset, there is usually not exactly one single contractual arrangement (in particular not one single specific equivalence relationship between licence rights and their remuneration) which in terms of content meets the FRAND criteria. Rather, there are frequently a large number of possible contractual arrangements and license rates that are fair, reasonable or appropriate and non-discriminatory (cf. FCJ, judgment of 5 May 2020, KZR 36/17 margin no. 81 – FRAND-Einwand; HRC Karlsruhe, judgment of 30 October 2019, 6 U 183/16 margin no. 95, GRUR 2020, 166 – Datenpaketverarbeitung UK Court of Appeal, judgment of 23.10.2018, [2018] EWCA Civ 2344, para. 121 - Unwired Planet v Huawei; dissenting: High Court of England and Wales, judgment of 5.4.2017, [2017] EWHC 711 (Rat), para. 158 et seq. – Unwired Planet v Huawei). What can be considered fair and appropriate varies in particular from sector to sector and over time (European Commission, Communication of 29.11.2017, COM (2017) 712 final, p. 8).

However, a licensor must always participate in the economic benefit of the technology in the saleable end product at the last stage of the value chain (also Kühnen, GRUR 2019, 665, 671; Kühnen, Handbuch der Patentverletzung 12th ed. 2020, part E margin no. 487; Martinez, GRUR Int. 2019, 633, 639; Huber, Why the ETSI IP Policy Does Not and Has Never Required Compulsory 'License to All': A Rebuttal to Karl Heinz Rosenbrock (September 15, 2017), https://ssrn.com/abstract=3038447, p. 11; dissenting view: valuation strictly separated by value components Dornis, WRP 2020, 688, 691 f.). The rights of the patent holder under Art. 64(1) EPC, Sections 9, 10 PatG extend to uses of the patented invention, which includes, for example, putting a product which is the subject of a patent on the market or using it. It corresponds to this if the royalty for the use of the patented invention is related to the last stage of the value chain. This is because the use of the invention provides the opportunity for an economic profit based on the saleable end product. The licensor's participation in the inventive use in the saleable end product is thus in line with the European Commission's guideline according to which the licence conditions must be clearly linked to the economic value of the patented technology, without taking into account elements which are attributable to the decision to include the technology in the standard or which concern the market success of the product which has nothing to do with the patented technology (European Commission, Communication of 29.11.2017, COM(2017) 712 final, p. 8).

It is precisely not the case that the patent holder over-participates in the innovations at later market levels when linking them to the saleable end product (cf. Dornis, WRP 2020, 688, 692), especially as various design instruments are available to prevent over-participation. When calculating the royalty by means of the top-down approach, for example, a sales price can be used as a reference value, if necessary without taking into account maximum/low prices (floors/caps), and this can be further limited by applying a percentage total licence fee (cf. Martinez, GRUR Int. 2019, 633, 639). Conversely, the opposite view, according to which the value should be determined strictly according to value components, ultimately leads to the fact that a price of the smallest technical unit could be taken as a basis (so-called Smallest Salable Patent Practicing Unit), without taking into account the use of the invention in the end product, which is also protected by patent law. This would have the consequence that the patentee would regularly not be able to participate in the gains from use of the invention at a later stage of exploitation due to the legal institution of exhaustion (e.g. Kühnen, GRUR 2019, 665, 671; Huber loc.cit.). The practicability argument of the opposite view, that only in the case of components can the specific benefit of a patent be reliably determined (e.g. expert opinion of Prof. I. and Prof. J. of the interveners SH2/3, Exhibit FBD 22, p. 11 f. [cf. already Friedl/Ann, GRUR 2014, 948, 952 et seq., on the cost-based approach favoured for this reason]; cf. also the expert opinion of Prof. H. submitted by the intervener SH4, Exhibit PBP07, p. 13 et seq.), falls short in particular in the case of patent portfolios. Particularly since, from a practical point of view, the determination of the scope of each patent from a patent portfolio for a specific component in the supply chain (or its scope of application only in the end product) - fundamentally unknown to the SEP holder at first access - could be just as complex, especially if double dipping resulting from several licence agreements has to be identified and avoided.

It should be made clear that the patent holder's participation in the economic benefits of the technology in the saleable end product does not mean that a licence agreement has to be concluded exclusively with the producer of that end product. On the contrary, there may be various ways of structuring the agreement in such a way that the benefits of a technology in the saleable end product are already priced in and taken into account in the supply chain.

bb) The average purchase price of TCUs as a reference in the top-down approach does not adequately reflect the benefit of using the invention in the vehicle as the saleable end product (see (1)). The inappropriate benchmark is not compensated by the percentages used in the counter bid (see (2)).

(1) The defendant's average purchase price for TCUs only corresponds to its costs of X. EUR or the benefit to Tier 1 suppliers, respectively.

(a) However, it is undisputed that the defendant benefits in many ways from the connectivity of the vehicles (see in detail S. study Exhibit AR 16 / AR-KAR 21, H. study AR-KAR 23a; K. study, submitted by SH2/3 as FDB 17; also AR-KAR 23c).

With regard to the hardware, the defendant had set a list price of EUR 178.50 gross for an upgrade from a standard UMTS module to an LTE module until the end of 2018 (price list from 16 January 2017 in Exhibit AR-KAR 23); by now, the defendant generally installs LTE-capable TCUs as standard. Furthermore, the technology opens up the possibility for the defendant to generate revenue through a large number of additional paid offers to consumers, which require this connectivity (see the overview in Exhibit AR-KAR 22, AR-KAR 23b [X. as office, X. as personal delivery station], whereby not all listed offers require an internet-capable car). Furthermore, the technology enables the company to achieve cost savings as a result of over-the-air software updates (e.g. instead of necessary recall actions), to optimize research & development costs (e.g. through data collection) or to generate revenues by directing maintenance work to its own workshops.

The 2014 K. study submitted by the interveners SH2 and SH3 ('SH2/3') summarises the importance of built-in connectivity for car manufacturers as follows: "Based on a representative German D-segment vehicle, today's car life cycle revenue can be broken down into its vehicle price (52 percent), connectivity features and services (4 percent), maintenance (6 percent), insurance (14 percent), and operations (24 percent). By 2020, we expect the connectivity-related revenues share to increase moderately to approximately 7 percent in the European premium car segment. This amounts to a global market size of EUR 170 billion to 180 billion for car connectivity in 2020." (FDB 17, S. 7; c.f. also Heiden AR-KAR 23a, page. 3). The K. study predicts that the retail prices for passenger cars will remain stable in principle, which should be connected to the fact that existing additional payment options are included in the base price later than standard, so that profit shares will shift in the result (FDB 17 S. 7 / 19: "New-car prices will stay more or less stable over time. This is based on proprietary research of net list development and an examination of the development of features of German premium vehicles over the last 20 years. Analysis shows that features that used to cost extra in the past have become standard and are included in future car base prices, so that technological development does not increase base prices in the long term.") The K. study states that connectivity not only plays a role in hardware prices, but that the various profit opportunities described above, such as the management of maintenance work, open up (FDB 17, S. 25: "Connectivity revenues may only account for a small share of the total customer life cycle spend by 2020, but connectivity has the potential to trigger a significant redistribution of revenues along five major automotive revenue pools: vehicle price, connectivity hard, "driver's time and attention," maintenance, and insurance. As for the sixth pool operations, we do not anticipate significant effects beyond technical connectivity-based improvements such as fuel savings.").

(b) Contrary to the defendant's view, that benefit must also be taken into account when determining a reasonable royalty.

This is based on the connectivity which is the only way to ensure that it can create this added value. It is therefore incomplete if the defendant considers that the benefits of connectivity described are its own innovations which have no connection with the patented technology. Conversely, the defendant's innovations would not be possible without the plaintiff's inventions.

Also, the benefit described can only be achieved by building on the use of the invention after the connectivity modules have been installed in the vehicle. Thus, the defendant's argument that the TCU component - if not even the NAD - is already a saleable "terminal" or "mobile station" with regard to its technical functions, so that this would also be the appropriate basis for the royalty, is not a convincing argument. Connectivity components are only used when they are installed in the vehicle and are connected or interact with other (electronic) components. Without this installation, the relevance of the invention is not yet realised in the partial components, which can be broken down to the smallest technical unit in the form of the telecommunication chip.

In so far as the defendant further refers to the fact that in the mobile telephone industry the selling price of a mobile telephone is in principle used as a reference value - without taking into account further income opportunities such as apps or maintenance - (see for example the High Court of England and Wales, judgment of 5 April 2017, EWHC 711 (Council) para. 604 et seq. Since, unlike mobile telephones, there is no isolated retail price for connectivity in the defendant's vehicles (except, for example, for the abovementioned list price for the update from UMTS to LTE), which the parties agree on, there is no such price available for assessing the benefit of connectivity, which is also fundamentally different in quality in the vehicle.

(c) The extent to which the defendant's benefit can be quantified in terms of the willingness of consumers to pay x EUR for car connectivity, or what overall figure is appropriate, according to the study carried out by the consultancy S., can remain undecided. In any event, in view of the relative benefit of connectivity for the profit margin, the defendant's calculation, according to which the basis of calculation would not be significantly altered by a mark-up of the total return on sales generated for the whole vehicle on top of the purchase price of a TCU, is not appropriate. Nor is the intervener SH2/3 argument that third-party suppliers offer connectivity plug-ins for as little as x EUR not significant. The reasonably foreseeable benefit depends in particular on those exploitation possibilities which the licensee promises in view of his specific product and customer orientation (see Kühnen, GRUR 2019, 665, 670). Nor does this submission dispute the benefit of the defendant beyond the costs as presented by the plaintiff.

(2) The inappropriateness of the reference figure is not compensated by the percentages applied in the counter bid. The explanations in the counter-offer (B-KAR 12, B-KAR-13) do not provide sufficient evidence for such compensation.

The defendant itself determines the total percentage of the royalty in the amount of x % at the lower end of the range, so that it is not apparent that there is adequate compensation. This is because the starting point of the counter-offer is that, in the case of mobile phones, the range is between x % and x % according to court decisions (B- KAR 12, ppt p. 7 and others with reference to High Court of England and Wales, judgment of 5 April 2017, [2017] EWHC 711 (Rat) Unwired Planet v Huawei; see also overview in study by IPlytics B-KAR 26, p. 43 with values between x % and x %). However, according to the plaintiff's submissions and the experience of the Board, the sales price of a mobile telephone - and not the purchase price of a component - is regularly taken as the reference value in the mobile telephone sector (see B-KAR 26, p. 43; also in case law, see, for example, HRC Karlsruhe, order of 23 April 2015, 6 U 44/15 - Mobiltelefone; RC Düsseldorf, judgment of 31.03.2016, 4a O 126/14 marginal 17, 226 f. - juris; RC Düsseldorf, judgment of. 31.03.2016, 4a O 73/14, marginal 12, 171 f. - juris, High Court von England und Wales, Urt. v. 05.04.2017, [2017] EWHC 711 (Rat) Rn. 604 Unwired Planet v Huawei; aus der Lit. z.B. Huber, Why the ETSI IPR Policy Does Not and Has Never Required Compulsory ‚License to All': A Rebuttal to Karl Heinz Rosenbrock (September 15, 2017), S. 4, https://ssrn.com/abstract=3038447). It also runs counter to compensation that the defendant seeks to justify the approach of a value at the lower end of the range, inter alia, with low profit margins for car components, without, however, having used its profits in the reference figure (B-KAR 12, ppt. S. 7:" …").

The plaintiff's SEP share of x % is taken from ETSI's data on the total number of SEPs declared as 2017 (B-KAR 12, ppt pp. 8 et seq.). Even against the background of various studies submitted (e.g. in an evaluative analysis) with higher SEP shares in the 2G to 4G standards (Exhibit AR 16, p. 3 ff. with reference to … [more than x % for 3G and 4G], AR-KAR 20a [x % for GSM, x % for 3G, x % for 4G]; B-KAR 27, S. 8 ff. [x% for 2G, x% for 3G, x % for 4G]; less by comparison B-KAR 26, p. 20 [x % but only for 4G]; intervener SH7, HL 48 [x % for 2G to 4G]), it is not apparent that the approach is capable of compensating for the plaintiff's lack of participation in the benefits of the technology in the saleable end product.

cc) The fact that the lack of participation in the benefits of connectivity in the saleable end product is disproportionate in the automotive industry is further confirmed by the Avanci pool licensing model.

(1) The Avanci pool licensing model estimates this benefit in the automotive sector by assuming … The license calculation is based on a top-down approach using an average

sales price for ... in the amount of x USD and a customary total license fee in the amount of x % of the sales price (with reference to the High Court of England and Wales, judgment dated April 5, 2017, [2017] EWHC 711 (Council), Unwired Planet v Huawei, see in particular B-KAR 30). With the resulting total license burden of x USD and a pool coverage of all relevant SEPs of x % - which the defendant denies -(1) The Avanci pool license model estimates this benefit in the automotive sector by [blackened] the Avanci pool license model arrives at a license fee of 15 USD for LTE and others, which Avanci has also published (AR 19).

There is no evidence that the link to benefits at the last stage of the value chain has not been reflected in the licensing agreements Avanci has concluded with car manufacturers. It is irrelevant whether those conditions were accepted by the other car manufacturers, as the plaintiff claims, or whether the Avanci licence agreement with ... contains ... . Thus, it is not the purpose of that judgment to determine whether the offer made by the plaintiff is FRAND as compared with the Avanci licence agreements or whether the Avanci licence offer to the defendant is FRAND, which the defendant disputes on the ground of alleged discrimination against ... . Nor is it decided whether an average price is FRAND in general, including in the mobile telephone sector.

(2) The extent to which the Avanci pool licensing model is a well-established licensing practice, which the defendant and the interveners dispute, is not significant.

The Avanci pool licensing model is already of indicative importance because major competitors of the defendant have become contractual partners of Avanci. The car manufacturers licensed by Avanci have a market share of approximately 46.6% in Germany according to the number of vehicles sold, where ... has only ... taken a 4G licence and other brands have drawn upon a 2G and 3G licence – offered separately by Avanci – (B-KAR 28, S. 1).

Even if it is deduced from the "World Ranking of Manufacturers" of the Organisation Internationale des Constructeurs d'Automobiles (OICA), submitted as Exhibit B-KAR 29, that the car market covered by Avanci comprises only a "handful" of manufacturers worldwide in terms of the absolute number of vehicles, ... are clearly competitors of the defendant ....

The indicative significance of the Avanci pool licensing model is even more significant since the defendant has not concretely demonstrated any contrary established licensing practice of SEPs in the automotive sector (on the plaintiff's licensing practice, see C. II. 3. a) aa) (1)).

In so far as the interveners, SH2 and SH3 ('SH2/3'), consider that a number of well-known licences have been concluded with suppliers at downstream stages of the production chain, it has not been shown that those contracts cover the connectivity of vehicles. Furthermore, as regards other alleged licensing agreements concluded by the defendant's supplier U. with individual Avanci members - who consequently also license to manufacturers through the Avanci licence pool - it is not submitted that the amount of the licence fee is not related to the saleable terminal equipment. Nor does it claim that the SEP holder's S. offer to automotive suppliers submitted by the intervener SH4 does not calculate the royalty in accordance with the Avanci pool licences (cf. Exhibit PBP 6 "3.1...").

Moreover, in so far as the intervener SH4 submits that it has taken or provided a licence from/to other manufacturers of connectivity modules or SEP holders, including Q., R., S., T., it is clear from that agreement that it occupies an exceptional position, given its dual role as a module/TCU supplier and holder of its own SEP portfolio.. The same applies to the presentation that the chip manufacturer and SEP-owner - as well as Avanci member – Q. offers licensing models for "smartphones and other devices" and mentions various automotive suppliers on its homepage.

Finally, the defendant's assertion that some members of Avanci, such as O. and P., had already entered into licences with suppliers of the defendant or were prepared to enter into such negotiations is vague and incomplete in the light of the fact that the intervener, SH2/3, submitted an action in the United States ... against the Avanci patent pool, its member O. and P. and the plaintiff with a view to obtaining a licence (Exhibit FBD 10).

(3) Finally, there is no evidence that the Avanci pool licensing agreements were concluded under undue pressure. That is not substantiated by the defendant and its interveners. In particular, such pressure is not apparent from the affidavit submitted by the defendant by Mr V., lawyer, concerning the ... group, which merely states that ... have taken a pool licence under inclusion of the 4G standard, as "already significant use existed and thus the risk for infringement complaints by some pool members was estimated to be very high – as it later turned out, justifiedly so" (Exhibit B-KAR 28, p. 2). It merely states an assessment of litigation risks, which by itself not capable of justifying a disproportionate pressure situation. The litigation risk must be seen against the background that the assertion of the right to injunctive relief from an SEP may be unobjectionable under antitrust law and that, in addition, cases are conceivable in which the SEP holder has unlawfully exerted pressure on the subsequent licensee by means of an action for injunction, but the subsequently agreed licence is nevertheless FRAND-compliant (see RC Düsseldorf, judgment of 31.03.2016, 4a O 73/14 margin no. 174 - juris; RC Düsseldorf, judgment of 31.03.2016 4a O 126/14 marginal no. 229 - juris). The fact that the licensees are large companies which have sufficient financial means to have litigation risks assessed and to defend themselves in case of doubt against antitrust claims (see RC Düsseldorf, judgment of 31 March 2016, 4a O 73/14 margin no. 176 - juris) speaks against influencing the Avanci pool license agreements in violation of antitrust law.

d)

Moreover, neither the possibility raised by the defendant on 28 June 2019 to have the licence conditions determined by a third party (B-KAR 14) nor the second counter-offer of the defendant in the pleading of 10 June 2020 (B-KAR 42) substantiates its willingness to take license. In this context, it remains undecided whether these counter-offers, which were submitted long after the lawsuit was filed, were still in time or could have been made subsequently from the point of view of the willingness to license (see on the state of opinion above C. II. 2. c).

This is because these offers each contain a reservation by which the defendant shifts the parties' dispute as to the level in the supply chain at which the licence offers (including the level of the royalty) must be made to subsequent proceedings. In contrast to contractual negotiations, which a company wishing to obtain a licence before commencing use, such a reservation can, in particular if, as in this case, the infringer's notice was issued several years ago, be aimed at delaying the patent holder as far as possible until the term of protection of the patent in suit expires, because he is then no longer threatened with a cease and desist order. If the SEP holder agrees to a third party provision, he cannot enforce his injunctive relief at least until a provision has been made, which enables the infringer to prolong the proceedings (RC Düsseldorf, Urt. v. 31.03.2016 4a O 126/14 marginal no. 286 - juris; RC Düsseldorf, conclusion of judgment of 31.03.2016, 4a O 73/14 marginal no. 231 f. - juris). If the SEP holder consents to a judicial review of the royalty pursuant to section 315(3) of the German Civil Code, this is binding on him, whereas the infringer may, under certain circumstances, refuse payment of what he considers to be an unfair performance until it has been determined by judgment (Würdinger in MüKO BGB, 8th ed. 2019, § 315 marginal no. 45; Stadler in Jauernig BGB, 17th ed. 2018, marginal no. 11, respectively mwN. on the state of opinion).

Against this background, a counter-offer without a concrete licence rate is not sufficient (see RC Düsseldorf, Urt. v. 31 March 2016 4a O 126/14 marginal no. 286 f. - juris; Düsseldorf District Court, Conclusion 31 March 2016, 4a O 73/14 marginal no. 231 f. - juris). The CJEU requires the patent user to make a "concrete counter-offer" (CJEU, loc. cit. para. 66), which, with the aim of promoting out-of-court contractual negotiations by parties willing to license, implies a license fee defined in the contract or at least determined in time (cf. RC Düsseldorf, judgment of 31.03.2016 4a O 126/14 marginal no. 286 f. - juris; RC Düsseldorf, judgment of 31.03.2016, 4a O 73/14 marginal no. 231 f. - juris).

3.

The lack of willingness to license is based on a free decision of the defendant; the plaintiff is not responsible for this either as a result of alleged discrimination (see a) or other obstruction (see b) or as a result of an alleged lack of information on the part of the defendant (see c).

a)

The fact that the defendant refers to its suppliers cannot be justified on the ground that the use of the defendant's services allegedly constitutes discrimination.

aa) In principle, it is left to the patentee to choose at which distribution level he enforces his property right (cf. 13.07.2004 KZR 40/02 margin no. 41 (juris) = BGHZ 160, 67 - Standard-Spundfass; regarding the granting of licences to manufacturers or distributors: HRC Karlsruhe, ed. 23.04.2015, 6 U 44/15 marginal 18 - mobile phones; RC Düsseldorf, judgment of 31.03.2016, 4a O 126/14 margin no. 310 - juris; cf. on copyright FCJ, judgment of 14.05.2009, I ZR 98/06 marginal 61 (juris) - Tripp-Trapp chair; cf. Kühnen, Handbuch der Patentverletzung, 12th edition 2020, Part E marginal 487). The patent proprietor's right to decide for himself against which patent infringer he takes action is not *per se* limited by antitrust law, even in the case of a dominant position (cf. 13.07.2004, KZR 40/02 marginal no. 42 f. (juris) = FCJZ 160, 67 - Standard-Spundfass; RC Düsseldorf, judgment of 13 July 2004 31.03.2016, 4a O 126/14 margin no. 310 - juris; if necessary close RC Düsseldorf, judgment of 11.07.2018, 4c O 81/17 margin note 237/10 - juris). Nor is a market-dominant patentee obliged in principle to grant licences in the form of a "uniform tariff" which grants equal conditions to all users (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 81 - FRAND-Einwand).

The special second-degree prohibition of discrimination laid down in Article 102 (2) (c) TFEU, i.e. discrimination against the trading partners of a dominant company in the pre-existing or post-dominant market, does not apply to the trading partners of a dominant company. - as in this case, protects against the distortion of competition between trading partners by discriminatory conditions (CJEU, judgment of 19 April 2018, C-525/16, WuW 2018, 321 marginal nos. 24 et seq. - MEO; FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 81 - FRAND-Einwand with further references). Different treatment of trading partners may be objectively justified, which has to be answered by weighing up all interests involved and taking into account the objective of cartel law, which is aimed at freedom of competition (see with regard to price discrimination FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 102 - FRAND-Einwand; see with regard to the granting of licences to downstream similar companies FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 81 - FRAND-Einwand with further details). 13 July 2004, KZR 40/02, marginal 44 et seq. (juris) = FCJZ 160, 67 - Standard sheet pile barrel). E.g. it is possible that the assertion of a claim for injunction at distribution partner level is inadmissible if the SEP holder usually concludes licence agreements with manufacturers and there is no objective reason why the SEP holder should initially only use the manufacturer's distribution partner, who can then switch his purchase to another (licensed) manufacturer (HRC Karlsruhe, decision of 23.4.2015, 6 U 44/15, marginal 18, GRUR-RR 2015, 326, 329 - Mobiltelefone; cf. Kühnen, Handbuch der Patentverletzung, 12th ed. 2020, part E marginal 487).

The burden of substantiation and proof of unequal treatment and obstruction lies with the licence seeker, while the patent proprietor bears the burden of demonstration and proof for an objective reason for unequal treatment (FCJ, judgment of 5 May 2020, KZR

36/17 marginal no. 76 - FRAND-Einwand). However, the patent proprietor has a secondary burden of proof to justify his licence claim in detail in order to enable the party seeking a licence to verify whether the licence claim constitutes an abuse of the dominant position (cf. FCJ judgment of 5 May 2020, KZR 36/17 marginal no. 76 - FRAND-Einwand).

bb) There is no indication that the plaintiff is distorting competition between trading partners by imposing discriminatory conditions in the selection of the contracting partner or by requiring that the royalty be based on the last stage of the value chain.

(1) The plaintiff has fulfilled its secondary burden of proof by claiming that it has so far not issued any licenses to component suppliers in the automotive industry. So far, it had only concluded a license agreement with another major automobile manufacturer "X", which contained the same license conditions as the second license offer it had made to the defendant (see e.g. AR-KAR 2); this license agreement has been terminated by "X" in the meantime (...).

The plaintiff further specified that the defendant's suppliers SH4, and A. ("A.") (a subsidiary of ...) and V. and Y. are not licensed for products used in the automotive sector. The license agreement between SH4 and the plaintiff is a December 2017 license agreement on SEPs, which covers end devices such as cell phones, tablets and USB surfsticks (see also intervener SH4 e.g. Exhibit PBP 00). In this regard, the plaintiff added that it was undisputed that special conditions had been agreed with SH4 in its capacity as smartphone manufacturer and patent owner. (...) The fact that SH4 wants to sue for a license (see below D. III.) proves that not only SH4 does not have a license, but also A. cannot derive a license from SH4 from the supply chain. (...) The plaintiff had made the same CVVCL offer to V. as to the interveners. In a complaint against the plaintiff to the EU Commission, which has become known, Y. himself claims not to have a relevant license for the plaintiff's SEP portfolio.

With regard to a license agreement concluded by the plaintiff in the year ... with the company S., which has in the meantime probably also been active as a supplier to the automotive industry, the plaintiff has shown that the facts are not equivalent (...).

Contrary to the submissions of the interveners SH7 ("SH7") and SH2/3, the plaintiff finally submitted that an agreement between it and Q. from the year 2008 is not comparable with the facts to be assessed here. This agreement was part of a comprehensive settlement between the chip manufacturer - and at the same time SEP owner - Q. and plaintiff., whereby the contracting parties granted each other rights (see also SH2/3 FBD 13, ...). These rights included, among other things, a license for the plaintiff to Q. patents on the one hand and the plaintiff's obligation to offer Q. customers licenses for GSM, WCDMA, CDMA2000, and/or OFDM standards under certain conditions on the other hand (see annex SH7 HL 2; SH2/3 FBD 13, loc. cit.). Subsequently, the Plaintiff has made license offers to various Q. customers, including those in the automotive industry. Among others, the plaintiff wrote to the defendant on 24 April 2013 (AR-KAR 27), which then referred to its suppliers. On July 2, 2013, the plaintiff also submitted to the intervener SH7 a license offer limited until June 20, 2014 in accordance with the conditions agreed with Q. (Annex SH7 HL 7). According to the plaintiff's submission, no license agreements were concluded in the automotive industry as a consequence. No further rights could be derived from the agreement with Q.

(2) The fact that it is common practice on the market for the development and manufacture of vehicles (with regard to other components) for suppliers to take licences (based on the price of the components) does not force the plaintiff to adopt a corresponding approach in the absence of a competitive relationship.

This is all the more true in view of the fact that other car manufacturers such as ..., ... and ... have already concluded Avanci pool licensing agreements and in-licensed connectivity components (see above C. II. 2. c) cc). Thus, the licensing practice, which according to the plaintiff's submission and the Chamber's experience in the mobile telephony sector is not exclusive but is extremely widespread, that the manufacturers of mobile telephones take licences or base their licence rates on the sales prices of mobile telephones as end products, has already been applied to the car industry (see above C. II. 2. C) bb) (2)); for the submission on counter-examples see above C. II. 2. c) cc) (3) / C. II. 3. a) aa) (1)).

(3) Overall, there is no evidence of a distortion of competition through discriminatory conditions. In particular, there is no risk that the defendant will be placed at a competitive disadvantage compared with other car manufacturers, nor that the defendant will be able to switch to other suppliers - licensed (possibly more favourably) by the plaintiff for LTE connectivity in vehicles - at the expense of the existing supplier chain.

b)

Nor can the reference to suppliers be justified by the fact that recourse to the defendant allegedly leads to an undue restriction of production, marketing or technical development to the detriment of consumers.

The defendant, which is burdened with the burden of presentation and evidence, has already failed to assert that the mere fact that a licence is granted only at a certain supplier level would not constitute a restriction of competition under Article 102(1), (2)(b) TFEU. In so far as, in particular, the intervener SH4 argues that licensing by the defendant is insufficient for the upstream supply chain and that associated have-made rights are unusual, the plaintiff has contested that assertion. It submits that its offer of a licence to the defendant includes the right to have components for the licensed products manufactured by third parties (so-called 'have-made rights'), which normally ensures production, sales and technical development by suppliers.

The fact that such have-made rights - especially in the mobile phone sector in view of the licensing practice described above of regularly licensing at the end of the value chain - are recognised means in the design of licences is set out in point 6.1 of the ETSI-IPR Policy, according to which SEP holders must grant licences for production including the right to have components for the end product manufactured ("MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE", Exhibit B-KAR 3). Thus, the counter-offers of the (Tier 1/Tier 2) suppliers SH2/3 and SH4 also contain have-made rights (see Exhibit FBD 34, Section 2.1; exhibit PBP 4, p. 8). Such licensing structures can only be avoided if licensing is in principle at the level of the smallest technical unit (such as the telecommunications chip); it has not been argued either that this is always common in the automotive industry.

c)

Finally, the defendant's unwillingness to licence, which was reflected in particular in a counter-offer not in conformity with FRAND, cannot be justified by the fact that the plaintiff allegedly did not provide sufficient information.

aa) The SEP holder is obliged, in the context of a licence offer, "in particular the licence fee and the way in which it is calculated" (CJEU, loc. cit. para. 63 - Huawei/ZTE). This means in particular not only an explanation of the royalty and the modalities of its calculation, but also of those circumstances which show that the contractual remuneration factors are free of discrimination and exploitation (HRC Karlsruhe, judgment of 30.10.2019, 6 U 183/16, GRUR 2020, 166 marginal no. 122 - Datenpaketverarbeitung). Only with knowledge of these circumstances is it possible for the licence seeker to make a meaningful assessment of the licence offer and - if this asymmetry of information actually exists - to make a corresponding counter-offer (cf.

FCJ judgment of 5 May 2020, KZR 36/17 margin no. 75 - FRAND-Einwand; cf. 30.10.2019, 6 U 183/16 loc. cit. recital 122). This is also the only way to increase the chance of the parties being able to talk to each other and to discuss the question of the royalty and individual questions of the licence agreement's design constructively (HRC Karlsruhe, judgment of 30 October 2019, 6 U 183/16 loc. cit. 30.10.2019, 6 U 183/16 loc. cit. margin no. 122; Mannheim District Court, judgment of 30.10.2019, 6 U 183/16 loc. cit. 28.09.2018, 7 O 165/16 marginal no. 66). If the SEP holder has concluded third-party licence agreements with different licence conditions, he will regularly have to present and explain at least the content of the material licence agreement conditions of those agreements in a sufficiently robust manner so that the licence seeker can see whether, where applicable to what extent and for what material reasons he is exposed to economically unequal conditions (Karlsruhe Higher Regional Court, judgment of 30 October 2019, 6 U 183/16, loc. cit.) The scope and extent to which these explanations and information are substantiated depends on the licensing situation in the individual case (FCJ, judgment of 5 May 2020, KZR 36/17 marginal no. 81 - FRAND-Einwand; HRC Karlsruhe, judgment of 30.10.2019, 6 U 183/16 loc. cit. recital 133).

bb) The plaintiff has submitted two individual licence offers to the defendant, of which the second licence offer of 27.02.2019 (Exhibit AR 14) - with individual modifications offered in the replica in favour of the defendant - is currently maintained. The Defendant had sufficient explanatory information available to it (see 1). Furthermore, the Defendant had information on the Avanci license model (see (2)). To the extent that the defendant also requires the plaintiff to explain license agreements with third parties in the mobile phone sector, the relevance of these agreements is not apparent (see (3)).

(1) The plaintiff explained to the defendant that, in its offer, the licence fee was based on the benefit of connectivity in the vehicle as the end product product, thereby addressing the decisive aspect of the license assessment (see already email K.of 07.12.2016 (exhibit AR 13) "…").

In order to quantify the economic benefit, the plaintiff submitted to the defendant, by email of 26 January 2018 (AR 16), a study by the consultancy S. ("S. study"). The plaintiff explained that the study quantified the benefit of connectivity for the defendant in particular on the basis of the willingness of consumers to pay for that connectivity ("..."). In addition, by email of 27 February 2019 (AR 14), the plaintiff explained that an individual offer is in principle more expensive than Avanci's pool licences, which are cheaper because of the synergy effects, and that the total charge for the licensing of all SEPs licences according to the plaintiff's model is below x % the benefit of connectivity determined by the S. study. In so far as the defendant considers that that information is insufficient or that it and the interveners methodically attack the S. study, it is not a lack of explanation that is criticised, but its content, which is already a question of the FRAND nature of the offer. That information has enabled it to consider the content of the study and to quantify the economic benefits of the technology in the final product which it produces itself.

In order to determine the plaintiff's share of all SEPs, the plaintiff referred by email of 26 January 2018 (AR 16) to a study by the company ..., which examined the essential nature of SEPs. Even though the study itself was not sent to the defendant, this information enabled the defendant to understand the offer and (as was done in the context of the counter-offer [B-KAR 12, B-KAR-13] and in the proceedings) to deal with the content of the calculation modes.

Finally, the plaintiff drew the defendant's attention to the fact that, on 21.03.2019, it had concluded a licence agreement – cancelled in the meantime – with another major car manufacturer in the top 10 worldwide, which contained the same licensing conditions and the same royalty rate as the second offer offered to the defendants.

In the meantime, the defendant has inspected this licence agreement in the parallel proceedings under the protection of non-disclosure agreements with all parties to the proceedings (AR KAR 2a) following orders of the Munich Regional Court I of 13 November 2019 and 20 February 2020. There is therefore no reason for a submission order under Section 142 of the German Code of Civil Procedure (ZPO) for licence agreements between the plaintiff and car manufacturers (production suggestion SH7 Duplik p. 126).

(2) The Defendant has sufficient information on the Avanci pool license model, taking into account the fact that, firstly, there is no need to review the FRAND conformity of the Avanci pool license offer to the Defendant in the present case and, secondly, the Defendant has itself been in negotiations with Avanci since January 2018 at the latest.

Thus, Defendant has submitted an email from Avanci dated 11 February 2019, in which Avanci explained a pool license agreement offer from January 2018 (B-KAR 30), in which the calculation method for the royalty known from the mobile communications sector is derived and justified with reference to publicly available sources (see C. II. 2. c) cc) [redacted].

In that email, Avanci also pointed out that it had concluded a licence agreement with … and offered to allow the defendant to inspect it after concluding a nondisclosure agreement ("…", refer also to AR-KAR 7). In that regard, it is accordingly inaccurate that, in its counter-offer of 9 May 2019, the defendant states that there are no comparable licences in the automobile sector and that the licence agreement between Avanci and … is not available (B-KAR 12, ppt. p. 3: "…").

In the meantime, the defendant has inspected the licence agreements concluded by Avanci with car manufacturers. In two of the proceedings brought by S. against the defendant before the Munich District Court, Avanci provided the defendant with (partially redacted) copies of the Avanci licence agreements on submission orders and after conclusion of a nondisclosure agreement.

Against this background, there is no need to order the production of documents from the Avanci licence pool at the Court's discretion under Seciton 142(1) Code of Civil Procedure. The email from Avanci to the Defendant dated 11 February 2019 (production request KE II p. 35) was submitted by the Defendant in unredacted form as Exhibit B-KAR 30, after supplementing its confidentiality agreement with Avanci. To the extent that the defendant requested that the Avanci license agreement be submitted with ... because it was disputed that ... had comprehensively licensed LTE (submission KE II p. 34), this fact was submitted with the affidavit in exhibit B-KAR 28 and is taken as a basis. Since it is not the subject of this judgment whether the plaintiff's offer is FRAND in comparison to the Avanci agreements or whether the Avanci licence offer to the defendant is FRAND, the (renewed) submission of the concluded pool licence agreements or the [*redacted*] offer to the defendant is not relevant (see Duplik II p. 26; production suggestion SH7 Duplik p. 127; application by SH5, Duplik, p. 2).

(3) Moreover, the defendant has not shown that the further clarification or submission of other licence agreements concluded by the plaintiff with third parties is necessary for the formulation of a counter-offer.

The plaintiff has substantiated that there are no relevant licence agreements between the plaintiff and the defendant's suppliers or other contractors which are relevant for the purposes of examining the reasonableness of the price and discrimination (see C. II. 3. a) aa) above). The plaintiff has fulfilled its secondary burden of proof with regard to licence agreements between the plaintiff and the intervener SH4 (production request defendants KE II, p. 45) and Q. (production request defendant KE II p. 46) and Y. as well as S. (production request defendant Duplik II, p. 49, SH2/3 KE p. 30, SH7 Duplik p. 126), so that the Chamber does not see any need for a production order under section 142 code of civil procedure.

Furthermore, the plaintiff is not required to describe or submit such licence agreements which it has concluded in the mobile telephone sector. There is generally no sufficient basis for the assumption that the SEP holder must declare the complete content of all licences concluded or submit all licence agreements (HRC Karlsruhe, judgment of 30.10.2019, 6 U 183/16 GRUR 2020, 166 marginal no. 123). Furthermore, the plaintiff's licence agreements from the mobile phone sector are not relevant in the present case for the determination of FRAND conditions in the automotive sector. [*redacted*]

4.

Due to the defendant's unwillingness to license, it may be undecided whether, after the infringer's declaration of willingness to license and after the submission and explanation of a license offer by the patentee, it must first be examined whether the counter-offer to be made by the defendant satisfies FRAND criteria, without the obligation of the defendant to make such a counter-offer being dependent on whether the plaintiff's license offer is actually comprehensive FRAND (as already concluded by the Mannheim District Court, judgment of 27.11.2015, 2 O 106/14 marginal no. 221 (juris) = WuW 2016, 86; at least for certain obligations to react RC Düsseldorf, judgment of 03.11.2015, 4a O 93/14 marginal no. 125 - juris). Since the counter-offer does not meet FRAND criteria, as explained above, this sequence of checks would also mean that the defendant cannot rely on the FRAND objection in the present case.

III.

Nor can the defendant rely on a FRAND objection raised by its interveners, who joined the proceedings as its suppliers and raised that objection.

It can be left open whether the producer of a saleable final product is in principle entitled to a FRAND objection derived from its upstream supply chain. Where a derived FRAND objection was accepted in case law, the facts of the case concerned downstream distribution chains, so that the distribution partner was able to raise a FRAND objection by the manufacturer (HRC Karlsruhe, decision of 23 April 2015, 6 U 44/15, GRUR-RR 2015, 326; RC Düsseldorf, judgment of 11.07.2018, 4c O 81/17 marginal 10 / 237 - juris; RC Düsseldorf, judgment of 11.07.2018. 31.03.2016, 4a O 126/14 margin no. 15 /311 - juris; District Court of Düsseldorf, conclusion of judgment of 31.03.2016 31.03.2016, 4a O 73/14, marginals 209 et seq. - juris). These facts differ from the present case of the upstream supply chain in that a saleable end product can be used at any level of the distribution chain for the calculation of the royalty, which makes it possible for the patentee to participate in the benefit of the technology in the end product without further ado.

This special feature of the upstream supply chain must be taken into account in any case when the content of the objection is defined. A derived FRAND objection does not apply in the present case because the interveners have not agreed to base the licence fee on the economic benefit of the technology in the saleable end product (see 1.). Furthermore, the derived FRAND objection does not apply to Tier 1 suppliers SH6 and SH5, who only identified themselves as such after the action was brought (see paragraph 2 above). Nor does the fact that the plaintiff explicitly excluded Tier 1 supplier A. in its description of the attacked embodiment (see 3.) indicate otherwise.

1.

The defendant cannot rely on an alleged FRAND objection raised by the interveners SH2/3, SH7, SH1 and SH4, as well as SH6 and SH5 (both as a separate FRAND objection and as a derived FRAND objection from the company u.).

a)

In the context of a derived FRAND objection by the manufacturer, the willingness of its suppliers to enter into a licence agreement with the patent holder with an appropriate royalty must include a sharing of the benefit of the technology in the saleable end product by the patent holder.

As explained above, the appropriate royalty should in principle be based on the value of the technology in the saleable end product (for the state of opinion see above C.II. 2. c) aa). This applies - subject to the absence of discrimination here (see C. II. 3. above) - irrespective of the question at which level of the supply chain a licence is granted (in particular Kühnen, GRUR 2019, 665, 671). Otherwise, the level of remuneration could be manipulated by manufacturers by organising themselves on the basis of the division of labour, whereas those manufacturers who do not use a deep value chain would be disadvantaged (cf. Kühnen, GRUR 2019, 665, 671).

It is also necessary to avoid that an infringer unlawfully refers the patent holder to his suppliers, as set out here, in order to generate a lower royalty burden by means of a derived FRAND charge at supplier level. An unsuccessful FRAND objection by the infringer - precisely because of an inadmissible reference to the suppliers - may not be revived by means of a derived FRAND objection. The relevant requirements must remain the same in the chain of FRAND objections.

The Chamber does not ignore the fact that, in practice, it may be difficult for suppliers to recover the licence fee from the manufacturer by adding a surcharge to their sales price. For example, the intervener SH2/3 has shown that, particularly in the automobile industry, it is ultimately the suppliers who are economically affected by higher licence fees, since it is in line with the long-standing practice there that manufacturers pass on higher costs to their suppliers. This would be done either within the framework of existing exemption agreements, by means of claims for damages or by offsetting the suppliers' outstanding claims for delivered products. However, there is a risk that suppliers will be burdened with costs regardless of the level at which a licence is taken. This is because in the above-mentioned exemption agreements it is a question of the contractual arrangements between the manufacturer and its suppliers as to who bears the risk of additional royalties - not calculated at the beginning of the supply relationship. However, it is not up to the patent holder to be relegated to a level in the supply chain as a result of the contractual design of third parties, which may be influenced by the market power of a manufacturer, without being able to benefit from the use of the patented technology in the final product.

b)

There is no evidence, apparent or submitted, that the interveners are prepared to pay a royalty which is determined by the usefulness of the technology in the saleable end product. The interveners submit at the hearing that the manufacturer of the attacked embodiment does not hold a licence because the plaintiff refuses to grant a licence to its suppliers, without prejudice to the subsequent distribution channel. They assume - wrongly - that only a licence fee is appropriate, based at most on the sales price of the TCU, if not the NAD.

That view of the interveners is confirmed by the following counter-offers, which are essentially based on the selling prices of the components in a top-down approach:

By letter of 30 January 2018, the intervener SH1 informed the plaintiff of the selling prices of the components it had supplied and submitted a counter-offer based on those prices (with regard to figures partially redacted annexes GLP 007, GLP-008: "The fair and in particular non-discriminatory basis for the applicable royalty rate of x% to x% for each 3G/4G/multimode MCU is therefore x €.") Against this background, the intervener's application for a court order for an unredacted version of the counter-offer which is unredacted with regard to the further concrete figures according to Sections 428, 142 Code of Civil Procedure (SH1 KE, p. 2), need no longer be granted.

On December 7, 2019, the intervener SH2/3 submitted a counter offer to the plaintiff (Exhibits FBD 34 and FBD 35), which, based on different calculation approaches, results in a total license fee of x USD for 4G. In the top-down calculation, the intervener, as shown in its explanations, took into account in particular the profit margin of the baseband chipset concerned as well as the sales price of the TCU, which it compared additionally with a cost-based approach (see expert opinion Prof. A. and Prof. F., exhibit FBD 22).

The intervener SH7 submitted a counteroffer to the plaintiff on 30 January 2020 (Exhibits HL 54 to 56), which is based on the average net value of NADs for 4G in the amount of x EUR (see also already counterproposal of the intervener dated 8 November 2017 Annex HL 20, 21).

Also with regard to the counter-offer of the intervener SH4, which the intervener submitted to the plaintiff on 16.01.2020 (Exhibit PBP04), there is no evidence that it would allow the plaintiff to share the benefit of the technology in the vehicle. The counter-offer - like the defendant - arrives at a license fee of x EUR by transferring license terms from a single mobile phone license agreement between the plaintiff and the intervener SH4 (for this already above C. II. 3. a) bb) (1). However, it is undisputed that this mobile phone license agreement with the intervener, which also acts on the market as a smartphone manufacturer and patent holder, contains special conditions. (...), which is not dealt with in the expert opinion of Prof. H. on the counter offer submitted by SH4 (PBP07). According to this expert opinion, the proposed license fee corresponds only to the amount the parties could agree on "for telematics components" - without considering the value share of the technology in the overall product (PBP07, p. 6, 9, 12 et seq., 19 et seq.). Accordingly, the intervener further submits that the value of connectivity should be linked to the price of a TCU of around EUR x, whereas the question of what happens to data transmitted in the vehicle via 4G is not covered by the plaintiff's patent portfolio already implemented in the TCU. Against this background, there is no sufficient reason for a submission of the license agreement with SH4 according to Section 142 Code of Civil Procedure.

Finally, the interveners' willingness to pay an appropriate licence fee does not result from the fact that the counter-offer of SH7 does not provide for the possibility of the plaintiff bringing an action before Regional Court Düsseldorf for review of the licence fees under Section 315(3) Civil Code, or that the counter-offer of SH2/3 provides for a possible review by a US court, or that SH2/3 has brought an action in the United States for the grant of a FRAND licence against members of the Avanci pool. In that regard, the willingness of the interveners to take a licence is in each case subject to judicial review, while at the same time they are in dispute in the respective proceedings for a licence fee which is not in conformity with FRAND (see C.II.2.d above).

2.

Furthermore, the defendant cannot rely on any FRAND objection raised by the interveners SH6 and SH5, since it only became known to the plaintiff in the course of the dispute that those undertakings were Tier 1 suppliers of the defendant for the attacked embodiments.

The plaintiff was not obliged to provide the interveners with a separate notice of infringement. This is because the condition imposed by the CJEU for the enforcement of the injunction cannot be directly applied to every market participant in the supply chain (also RC Düsseldorf, judgment of 31.03.2016, 4a O 73/14, marginal no. 213 - juris). The notification of infringement to the suppliers is rather derived from the notification of infringement to the manufacturer of the end product. The CJEU's program of obligations does not induce the plaintiff to independently determine who could possibly be considered as a supplier or distribution partner of a manufacturer of the attacked embodiment and to send infringement notices to potential market participants in the blue. It is therefore incumbent on the defendant to inform the plaintiff of its suppliers, for example, or otherwise to ensure that the infringement notice is forwarded to its suppliers.

Subsequently, it is therefore incumbent on suppliers to show that they are willing to license in accordance with the CJEU's programme of obligations. The fact that the interveners SH6 and SH5 only identified themselves as suppliers in the context of the dispute after the action was brought is not sufficient in view of the parties' negotiating history. Thus, since November 2016, the plaintiff has been negotiating with the Tier 1 supplier A. on the Tier 1 model. The Tier 1 suppliers SH2/3 (cf. FDB 2) and SH1 (cf. AR-KAR 13) also contacted the plaintiff in 2017. There is no reason given why SH6 and SH5 did not similarly already reveal themselves to Plaintiff as Tier 1 suppliers in this context. Against this background, a subsequent disclosure of other Tier 1 suppliers about two years after the start of negotiations and after the filing of the action is part of a hold out strategy and cannot justify a derived FRAND objection of the defendant.

3.

Nor can a derived FRAND objection be inferred from the fact that, in describing the attacked embodiment, the plaintiff excluded components from the Tier 1 supplier A. The interveners are not thereby discriminated against (on the legal principles of discrimination, see C.II. 3. a) aa above).

The description of the attacked embodiment does not in itself constitute differential treatment of suppliers that distorts competition between trading partners. For the action is directed solely against the defendant, so that no selective enforcement of rights against the suppliers takes place (see for clarification Reply II p. 82). The fact that the action against the defendant does not constitute enforcement of rights against suppliers is also shown by the changes in the description of the attacked embodiment of execution in the course of the proceedings. Thus, the description of the attacked embodiment originally also included components of the M. and N. Following the defendant's denial that components of those undertakings were installed in their vehicles, the plaintiff excluded those components without this being treated as a (partial) withdrawal of the action. Accordingly, the defendant is ordered, in accordance with the form of order sought, to desist in its entirety. The extent to which the plaintiff enforces the judgment must be clarified in any enforcement proceedings.

In addition, the plaintiff stated as a factual reason for the exclusion of the supplier A.'s components from the description of the attacked embodiment that it wanted to reward the supplier's willingness to negotiate (cf. Exhibit B-KAR 16). A. had shown the greatest interest in a solution among all the defendant's suppliers and had entered into serious negotiations with the aim of concluding a licence agreement within the meaning of the Tier 1 or CVVCL model. The cooperative conduct of A. can also be seen from the fact that, for example, according to the defendant's submissions, there should be a tripartite meeting between the parties and A. (see also the defendant's email of 31 January 2018, Exhibit B-KAR 9 (paragraph 1, last sentence) and of 28 February 2019, Exhibit AR 20). In the event that the negotiations with A. were not successful, the plaintiff expressly reserved the right to take action against vehicles of the defendant which contain components of A. Such an advantage corresponds structurally to the special advantages which an early licensee can obtain (so-called early bird), which has already been approved by the case-law (RC Mannheim, judgment of 24.01.2017, 2 O 131/16; see also HRC Düsseldorf, GRUR 2017, 1219 Mobiles Kommunikationssystem). On the other hand, it is precisely not the case that this litigation strategy would grant a free licence to some of the competitors, while the other part would have to pay a licence fee. In particular, there is no risk of a distortion of competition to the effect that the defendant can switch to other suppliers - licensed (possibly more favourably) by the plaintiff for LTE connectivity in vehicles - at the expense of the existing supplier chain.

4.

It is therefore open to question whether the CVVCL offer made by the plaintiff to Tier 1 suppliers is indeed FRAND. In particular, it can be left open whether the suppliers are entitled to a bilateral licence (so-called License to All; for this Kühnen GRUR 2019, 665, 666; Wilhelmi in BeckOK Patentrecht, 16. Ed. 2020 § 24 Rn. 111; Rosenbock, Why the ETSI IPR Policy Requires Licensing to All, August 2017, https://www.fair-standards.org/wp-content/uploads/2017/08/Why the ETSI IPR-Policy-Requires-Licensing-to-All_Karl-Heinz- Rosenbrock_2017.pdf; Geradin, SEP Licensing After two Decades of Legal Wrangling: Some Issues Solved, Many Still to Address (March 3, 2020), p. 19 ff, https://ssrn.com/abstract=3547891; Dornis, WRP 2020, 688, 693), or whether Art. 102 TFEU and the ETSI declaration merely result in a claim to access to the patented technology (so-called Access to All; for this: Huber, Why the ETSI IPR Policy Does Not and Has Never Required Compulsory 'License to All': A Rebuttal to Karl Heinz Rosenbrock (September 15, 2017), https://ssrn.com/abstract=3038447; Martinez, GRUR Int. 2019, 633, 636; Borghetti/Nikolic/Petit, FRAND Licensing Levels under EU Law (February 5, 2020), p. 32, https://ssrn.com/abstract=3532469).

Likewise, it can be left open whether a derived FRAND objection by the defendant can only be fully successful in accordance with the scope of a granted licence if all Tier 1 suppliers - to be named by the defendant logically and, if necessary, first in full - are entitled to a FRAND objection.

[...]