KATHER · AUGENSTEIN
RECHTSANWÄLTE

Higher Regional Court Karlsruhe

6 U 149/20 (not legally binding)

Judgment from 2 February 2022

1. On appeal by the Plaintiff, the judgment of the Mannheim Regional Court dated 21 August 2020, Ref. No. 2 O 136/18, is set aside in respect of the costs, amended and restated as follows:

   The Defendants are ordered,

   a) to refrain, upon avoidance of a fine of up to EUR 250,000 to be determined by the court for each case of infringement, or, in the alternative, imprisonment for up to six months, or, in the case of a repeated infringement, imprisonment for up to two years, from distributing mobile devices that are configured to carry out the following procedure [...] in the Federal Republic of Germany, to bring them on the market, to use them or to import or possess them for the aforementioned purposes.

   b) to recall the products referred to in lit. a) above which have been in the possession of commercial customers who are not end consumers since 7 November 2012;

   c) to destroy the products in the direct or indirect possession or ownership of the Defendants to 1) above in the Federal Republic of Germany in accordance with lit. a) above.

2. The defendants must bear the costs of the legal proceedings, including the costs of the appeal proceedings.

3. The judgment is provisionally enforceable. The Defendants may avoid enforcement under paragraph 1 of the judgment by providing security in the total amount of EUR 1,000,000, unless the Plaintiff provides security in the same amount prior to enforcement. Furthermore, the Defendants may avoid enforcement by providing security in the amount of 110% of the amount enforceable on the basis of the judgment, unless the Plaintiff provides security in the amount of 110% of the respective amount to be enforced prior to enforcement. 4.

4. the revision is admitted.

Facts

1. The plaintiff asserts claims against the defendant for injunction, recall and destruction due to patent infringement. The action is based on the German part of the European patent EP (...), which relates to control channel signaling in a communication system comprising a base station and a terminal (hereinafter: patent in suit). The patent was filed on 2 April 2009. The application was published on 16 March 2011. The notice of its grant with effect, inter alia, for Germany was published on 7 November 2012. The plaintiff has been entered in the register of the DPMA as the patentproprietor in suit since 3 July 2014.

2. […]

3. The defendants belong to the (...) Group. The first defendant, whose parent company is the second defendant, sells, among other things, mobile devices that are compatible with the Long Term Evolution standard (hereinafter LTE standard) via the Internet in the Federal Republic of Germany. The second defendant coordinates the Europe-wide distribution of these devices, advertises them on its website in German and markets these devices in Germany. The LTE-capable mobile devices are sold outside Germany (country of manufacture), partly under special trademarks and partly to network operators for sale under their own trademark.

4. The LTE standard includes the 136th series technical specifications of the European Telecommunication Standards Institute (ETSI) (since Release 8), in particular TS 136212 (v8.8.0), TS 136213 (v8.8.0) and TS 136300 (v8.12.0).

5. In its judgment of 8 July 2020 (6 U 133/17), the Senate ordered the defendant in a further lawsuit brought by the plaintiff to provide information and an to render an account for infringement of the claims 1 and 9 of the Federal Patent Act patent in suit, which are also at issue here, in the limited version, and found the defendant liable for damages. The defendant filed an appeal with the Federal Court of Justice against the non-admission of the appeal (X ZR 76/20), which has not yet been decided.

6. The parties have been unsuccessfully negotiating the conclusion of a FRAND license for the so-called (...) portfolio of the plaintiff consisting of standard-essential patents in the field of mobile communications technology, which also includes the patent in suit.

7. The plaintiff made its first comments in a letter dated 15 December 2014, in which it pointed out that, according to its information, certain products infringed the US patents, among other things. It requested to enter into negotiations on a licensing agreement. By letters dated 16 January 2015, 21 January 2015 and 6 April 2015, the plaintiff reminded of the letter dated 15 December 2014, but received no response.

8. On 24 July 2015, the plaintiff initiated patent infringement proceedings.

9. By letter dated 1 February 2016, the plaintiff submitted the first offer to conclude a FRAND license agreement for the so-called (...) portfolio. Attached to this offer was a list of the patents to be licensed, including the patent in suit. In a so-called "claim chart", claim 9 of the patent-in-suit was compared with excerpts from the above-mentioned LTE standard documents. The offer was based on a license fee of (...) per unit for all patents of the GSM, WCDMA and LTE standards.

10. On 29 February 2016, the plaintiff instituted the above-mentioned action against the defendant before the Mannheim Regional Court for infringement of the patent in suit (2 O 48/16 Appeal proceedings: 6 U 133/17), initially directed exclusively to a declaration of liability for damages as well as information and rendering of accounts.

11. In response to a reminder from the plaintiff, it was informed by e-mail dated 11 March 2016 that further information on the offer was requested. It was difficult to determine whether the offer was FRAND. In a meeting, the representatives of the plaintiff had referred to analyses of the value of the portfolio. Further details would be requested on this. Finally, it was suggested that the issue could be returned to once the parties had exchanged "infringement and invalidity contentions" in the litigation in the United States.

12. By email dated 15 March 2016, the plaintiff replied that extensive information had been provided and that eight months had passed since the lawsuit was filed. If genuine license negotiations were to be entered into, the plaintiff should be contacted.

13. By email dated 22 March 2016, the law firm (...) notified the plaintiff's attorneys-at-law of its representation of the defendant in the proceedings before the Mannheim Regional Court (12 O 48/16). At the same time, the willingness was declared on behalf of the defendant "to negotiate or conclude a license on FRAND terms for the patents in suit".

14. In a letter dated 11 April 2016, the plaintiff referred to the unaccepted offer of 1 February 2016. At the same time, the request was made once again to enter into serious license negotiations.

15. In a letter dated 20 April 2016, the defendants declared their willingness to conclude a FRAND license for, among other things, the patent in suit. At the same time, it was pointed out that there was no specific offer because it appeared incomplete in various respects. The offer was also not FRAND for several reasons. It did not provide for a right of termination if the patents were found to be invalid or not infringed, and no mechanism if this were the case for one or more patents. Further, there is no guarantee of non-discrimination and no mechanism against "royalty stacking" (i.e., the risk of excessive total royalty payments to multiple SEP holders if a larger number of SEPs covering multiple standards are implemented in one product). In addition, the information regarding the royalty was incomplete, so that it was not possible to understand the calculation of the plaintiff.

16. In a letter dated 17 May 2016, the plaintiff replied that it was a concrete offer containing placeholders, but that these could simply be filled in if (...)/(...) were willing to accept the offer. In particular, it would be possible to calculate the specific royalties based on one's own sales figures using the indicated royalty rates. The offer was also FRAND. In view of the size of this portfolio, the license rates already took into account that some patents would be successfully challenged. Clause 5.6.2 already addressed the fact that the defendant could take action against validity and infringement after entering into a license agreement. Should a counter-proposal be submitted with additions that were not considered necessary, this would be taken into account. Finally, the plaintiff provided concrete figures on the calculation of the license fee that had been made.

17. In their letter of 1 June 2016, the defendants repeated that the offer of 1 February 2016 was not concrete and ready to sign. They also complained that clause 5.6.2 in particular was not FRAND.

18. In response to a renewed reply and setting of a deadline by the plaintiff in a letter dated 13 June 2016, the defendants replied in a letter dated 24 June 2016 that clause 5.6.2 was not FRAND and that it was the duty of the plaintiff to submit a concrete written license offer based on FRAND terms, but that it was not the duty of the defendants to respond to an offer that was obviously ("clearly") not FRAND.

19. On 8 July 2016, the plaintiff expanded the action in proceedings 2 O 48/16 before the Mannheim Regional Court to include a claim for injunctive relief. At the hearing on 3 March 2017, the Regional Court pointed out that it considered clause 5.6.2 of the license agreement offer of 1 February 2016 to be one-sided in favor of the plaintiff and unreasonable. In response, the plaintiff withdrew the application for an injunction in those proceedings, which is now being (re)asserted in the present proceedings.

20. On 19 May 2017, the plaintiff submitted the second license offer, which in particular provided for an amendment of clause 5.6.2, while the license fees and the way to determine them remained essentially unchanged. Attached were further explanations on the determination of the amount of the license fee.

21. By judgment of 23 May 2017, the Mannheim Regional Court dismissed the action in infringement proceedings of the parties relating to another patent (2 O 98/16), as the offer of 1 February 2016 had not been FRAND with regard to clause 5.6.2. A counteroffer was not necessary, as it was obvious that the offer was not FRAND.

22. By letter dated16 June 2017, the defendants rejected the offer of 19 May 2017, on the grounds that clause 5.6.2 continued to be non-FRAND. In addition, inquiries were made regarding the patents covered.

23. In a letter dated 25 July 2017, the plaintiff replied to this. It explained the scope of the portfolio and pointed out that with the offer all alleged doubts raised by the defendants in the past ("ready to sign," included patents, guarantee of non-discrimination, mechanism regarding "royalty stacking") had now been dispelled.

24. In a letter dated 25 August 2017, the defendant continued to reject the offer on the grounds that clause 5.6.2 was not FRAND. By judgment of the Mannheim Regional Court of 12 September 2017 (2 O 48/16), the defendant was ordered to provide information and to render an account and its liability for damages was established.

25. By letter dated 30 April 2018, the plaintiff sent the third license offer.

26. This offer contained two different models for the defendants to choose from, namely a per-unit license with a running royalty of USD (...) per unit for the GSM, WCDMA and LTE standards

on the one hand, and a lump sum payment derived from this for an amount of USD (...) for the period from 30 June 2018 onwards on the other hand. In this context, the plaintiff offered the defendants a volume discount based on a table.

27. To determine the respective royalties, the plaintiff used the so-called "top-down approach" in both cases. This starts with a share which appears appropriate for the accumulated royalties for a standard (T.). It looks at how high the burden of royalties should be in total for the entire intellectual property related to a telecommunications standard in a mobile device. Based on this proportion, these royalties can be distributed across all patent holders according to the ratio in which the value of the individual patent portfolio stands to the relevant portfolio of all essential patents for that standard (S). The FRAND rate then consists of the product of T. and S. (see UK High Court 30 November 2017 - (2017) EWHC 711 (Pat) para 178). On this basis, the plaintiff determined the total share for the standard essential intellectual property to be 10%. It multiplied this share by an average USD selling price (ASP) of LTE-enabled cell phones, calculated from data for the years 2011 to 2016. It determined the share of its own portfolio in all standard-essential patents in this field to be (...) %. From this, it calculates a USD royalty per unit for the patents of the GSM, WCDMA and LTE standards, which should apply for the entire term of the contract until 30 June 2026, which it illustrated as follows:

[…]

28. By letter dated 30 May 2018, the defendants rejected this offer. Clause 5.6.1 (formerly 5.6.2) was still not FRAND. In addition, the amount of the license fee was not justified. The average selling prices of defendants' LTE-capable mobile devices were below (...) USD.

29. In two letters dated 6 June 2018, the plaintiff defended its offer and sent two license agreements it had concluded with third parties for comparison and explained them. In a letter dated 20 June 2018, the defendants replied that the offer was not acceptable. Clause 5.6.1 was still not FRAND. In addition, the calculation of the license fee was not FRAND due to the large difference between the average selling price for LTE mobile devices worldwide on the one hand and that for the defendants' products on the other. The plaintiff replied to this in a letter dated 29 June 2018 and defended its offer.

30. By letter dated 7 August 2018, the plaintiff submitted the fourth license offer to the defendants, which provided for adjustments to clause 5.6.1 in particular, but not to the license fees. The defendants did not accept the offer in a letter dated 14 August 2018 for the reasons stated.

31. On 26 April 2019, in the proceedings conducted in (...), the defendants were ordered to pay damages as well as an ongoing per-unit license fee for each of the two (...) patents due to the infringement of two patents.

32. In a letter dated 17 May 2019, the plaintiff submitted the fifth license offer to the defendants, which included adjustments for issues not related to the differences between the parties. The defendant did not respond to this.

33. In a letter dated 16 August 2019, the plaintiff disclosed to the defendants that it had joined a patent pool, but that a direct license - as offered - remained possible. Referring to the judgment in the patent infringement proceedings in (...), the plaintiff clarified that they were willing to discuss the offers if the defendants would consider this beneficial.

34. In a letter dated 26 August 2019, the defendants reiterated that they were interested in acquiring a FRAND license to the (...) portfolio. However, they did not see any new development that would constitute a new basis for the license negotiations with the plaintiff.

35. At the hearing on 29 October 2019 in the present legal dispute, the Second Civil Chamber of the Mannheim Regional Court pointed out that, in its preliminary view, the industry-wide average sales price for the years 2011 to 2016 could not serve as a basis for calculating future licenses and evidently did not meet FRAND criteria.

36. In a letter dated 12 December 2019, the plaintiff submitted the sixth license offer to the defendant. This provided for annually adjusted license fees for the term of the agreement according to tables based on an annual scale of average selling prices for LTE-capable mobile devices, with a right of adjustment if these (estimated) prices deviated by (...) % or more from the actual average selling price.

[…]

37. For example, an average sales price of USD (...) per unit is assumed for the year 2020, from which a license fee for the year 2020 of USD (...) per unit is calculated with the - unchanged - factors (...) % (T) and (...) % as product. In addition, the plaintiff offered the defendants a tabulated volume discount.

38. In a letter dated 31 January 2020, the defendants submitted the first counteroffer. It is also based on the so-called "top-down approach" for calculating the license fee. However, in deviation from the offer of the plaintiff, the defendants consider a share for the total burden of license fees for the standard (T) of (...) % to be appropriate.

[…]

39. The defendants shall assume the plaintiff's share of all standard-essential patents (S) of (...) %. In contrast to the plaintiff, the percentage share thus calculated for the ongoing license fee shall not be applied to the worldwide average sales price of LTE-capable mobile devices in order to calculate a per-unit license fee, but to the actual net sales prices of each licensed product of the defendants. In doing so, the defendants also disclosed their sales figures in tables for the past:

[…]

40. If these sales figures for the years 2015 up to and including 2019 are used as a basis for comparison, different license fees are calculated for 2019 and 2017, to which the defendant then wants to see the quantity discount contained in the offer of the plaintiff applied.

41. By letter dated 4 March 2020, the plaintiff submitted the seventh license offer to defendants, in which it took into account the sales figures stated in the counteroffer for the calculation of the lump-sum fee. By updating the sales figures notified by the defendants for the year 2019, which resulted in an amount of USD (...) for the period from 1 January 2020.

42. In a letter dated 11 March 2020, the defendants also rejected the new offer from the plaintiff with reference to the letter dated 31 January 2020, and submitted a second counter-offer, which provided for changes in the clauses but left the license fees unchanged. In addition, the defendants provided detailed information on sales activities in the period from December 2014 to 2019 inclusive.

43. In a letter dated 19 March 2020, the plaintiff also rejected this counteroffer by the defendant for the reasons already stated in a letter dated 10 February 2020.

44. On 7 April 2020, a security deposit was made on the basis of the counteroffer by sending the plaintiff a bank guarantee certificate, which was increased after rendering an account for the year 2020.

45. In an email dated 7 August 2020, the plaintiff submitted the eighth offer, which provided for a reduction of the lump sum to settle the claims for the past, the future and a "standstill" with regard to 5G products. In an email dated 18 August 2020, the defendants rejected this offer and, for their part, proposed a USD lump sum with the third counteroffer. The plaintiff responded by email dated 21 August 2020, stating that it could not see any significant step towards itself in this counteroffer. The further emails exchanged on 2 and 14 September 2020 did not lead to any further rapprochement.

46. By email dated 17 September 2020, the defendants advised that, in light of the Regional Court comments in the contested decision, the estate could not make the offer a FRAND offer. They referred to their offer of 18 August 2020.

47. By letter dated 30 November 2020, the plaintiff sent the defendants a license agreement it had entered into with another company to allow them to verify that the offer was FRAND through a settlement.

48. In a letter dated 9 December 2020, the defendants replied that the license terms agreed with the new license seeker were irrelevant, since the average sales price was used as a basis and thus could not be a FRAND-compliant offer. However, it was willing to consider a higher lump sum ("would therefore also be willing to consider increasing the lump sum offer...").

49. Finally, in 2021, the parent company of the defendant offered a lump-sum license payment with a third counteroffer. This offer was based on the second counteroffer and also provided for the transfer of three SEP patent families to the plaintiff. No further details of this third counter-offer were provided, as confidentiality was agreed in this respect. The plaintiff rejected this offer by email dated 21 July 2021.

50. The plaintiff has claimed that a standard-compliant mobile terminal realizes the teaching of the limited patent claim 9 of the patent in suit. It was not prevented from asserting the claims for injunction, recall and destruction arising from the patent infringement by the FRAND objection raised by the defendants. In the case of the defendants or their parent company, it was a matter of so-called "patent hold-outs", which were obviously not ready for licensing. In particular, despite the years of litigation and negotiations until the beginning of 2020, the defendants had not submitted a counteroffer, but had always limited themselves to criticizing certain clauses of the FRAND offers of the plaintiff. In any case, there was no reaction from the defendant after the first letters in 2014. This only occurred belatedly in 2016, after patent infringement suits had already been filed in the USA. Irrespective of this, the license offer from March 2020 meets FRAND criteria, so that the present action cannot constitute an abuse of rights. The use of an industry-wide average selling price (ASP) within the framework of the top-down model represents an appropriate balance of interests between manufacturers in the upper and lower price segments. It was not the task of the plaintiff to subsidize the defendant's low prices with correspondingly low license fees. In addition, it was a legitimate concern to demand absolute per-unit licenses, as shown by the comparison with other licensors. Accordingly, two suppliers of cell phones had already concluded license agreements on the terms at issue here. In any case, the counteroffer of the defendant was not FRAND. This is already evident from the considerable difference between their own license fees and the license rates offered by the defendant's parent company. Moreover, by basing their offer on their actual sales prices, the defendants were inadmissibly pursuing a different licensing concept. The plaintiff had chosen to offer all standard users a uniform license fee and thus an appropriate and uniform price for the licensing of its intellectual property rights. This licensing concept obviously could not be reconciled with the counter-offer of the defendant, which pursued a fundamentally different approach, namely a calculation of the license fee to be paid depending on the sales prices of the licensees. However, it would be incompatible with freedom of contract if a license seeker could force a patent proprietor to deviate from its existing and practiced licensing concept.

[…]

51. The defendants have taken the view that, on the required interpretation, the challenged embodiments do not implement the teaching of the patent in suit. In this respect, the defendants referred to their grounds of appeal in the proceedings before the Senate 6 U 133/17. In any case, the asserted claims are currently unfounded because their enforcement

is precluded by the FRAND objection raised. The defendants are willing to license. They responded promptly to the first infringement notice in February 2016. This willingness to license was always confirmed. After the small offer from February 2016 had been judged by the (Regional) Court to be evidently contrary to FRAND, it was the responsibility of the plaintiff to submit a FRAND-compliant offer in compliance with the legal opinion of the Chamber. This was not done until April 2018. Therefore, the lack of willingness to license on the part of the defendant could not be inferred from this delay. Since, according to the Chamber's legal opinion, this offer was again evidently contrary to FRAND, they were not obliged to submit a counteroffer according to the Chamber's previous case law. The defendant or its parent company responded promptly to the renewed revised offer of the plaintiff of 12 December 2019 with a counteroffer and provided security. The Group's offer satisfied FRAND criteria, which is why the action had to be dismissed as currently unfounded for this reason alone. In any case, the offer of the plaintiff does not meet FRAND criteria. In the context of the top-down approach chosen by the plaintiff, which envisages a maximum total license charge per unit sold, an industry-wide ASP cannot be used as a basis. This would discriminate against providers in the lower price segment for cell phones, in which they - the defendants - are also permissibly active. It was irrelevant that FRAND-compliant industry-wide per-unit licenses of other license providers could exist in principle. However, the plaintiff fails to recognize that these other license providers did not calculate and justify their license fees according to the top-down approach used by the plaintiff, but in a different manner. The fact that other calculation methods, which lead to an absolute USD amount per license object, are accepted in the market in very specific case constellations and may then also be FRAND under certain circumstances, does not mean, however, that the plaintiff can arbitrarily "pick and choose" what is best for it from various calculation and justification approaches in order to then be able to present the license fee determined by it as allegedly FRAND under the "cover" of the generally accepted "top-down" calculation method.

52. The Regional Court dismissed the action in the judgment under appeal (GRUR-RS 2020, 26457). It is true that the defendants made use of the teaching of claim 9 of the patent in suit by selling the challenged mobile devices. However, the plaintiff is currently prevented from enforcing the claims for injunction, destruction and recall arising under Art. 64 EPC in conjunction with Sec. 139 Patent Act, Sec. 140 a (1), (3) Patent Act due to the established patent infringement due to an abuse objection under antitrust law. The plaintiff has a dominant

position on the relevant market for the granting of certain rights, which are absolutely necessary for successful participation in competition in the field of mobile telephones due to the prevailing standards. An infringement notice had (only) been issued to the defendants by the letter of 1 February 2016. In response, the defendants had declared their willingness to conclude a license on FRAND terms in an email dated 22 March 2016, which had also persisted. The lack of cooperation by the defendants through an early counter-offer of their own does not lead to a lack of willingness to license, since the defendants did not have to consider themselves obligated to do so due to the legal explanations of the Chamber. Accordingly, the defendant's counteroffer was to be examined with priority. For the triggering of the duty to respond, it was irrelevant whether the SEP holder's offer actually complied with FRAND conditions. The counter-offer of the defendant of 31 January 2020, or in a slightly modified form of 11 March 2020, satisfies FRAND criteria. The total royalty burden is not outside a possible FRAND corridor. Insofar as the defendants have based their calculation on their own worldwide average sales prices per year, this is not a reference value contrary to FRAND in the starting point. Just as in the calculation of damages on the basis of license analogy, it is also fair and reasonable in the context of a license offer to take into account the economic circumstances of the party wishing to take a license. This is because the patent proprietor should have a fair share in what the license seeker can objectively earn from the use of the patented teaching based on the configuration of his business. The reasonably expectable profit depends in particular on those exploitation possibilities for the invention which the business operation of the licensee promises in view of its concrete product and customer orientation. The sales prices were not cheap or dumping prices. On the other hand, the license offer of the plaintiff dated 12 December 2019, or in a modified form dated 4 March 2020, does not comply with the FRAND criteria in the case in dispute. At any rate, the license amount is unfair and unreasonable for market participants who - like the defendant - operate in the lower price segment significantly below the industry-wide ASP, according to the calculation method specifically applied by the plaintiff in the context of the top-down approach, which is based on a worldwide industry-wide ASP for cell phones per year including all LTE-capable cell phones on the market to determine the license amount. In this way, the plaintiff unilaterally favors the interests of potential licensees who sell higher-priced premium and upper-range terminal equipment above the average sales price determined by the plaintiff and who always profit under the plaintiff's licensing model over licensees who operate on the market significantly below the industry-wide ASP used by the plaintiff and thus always suffer a disadvantage. This leads to the fact that the actual license rate for the defendant in relation to its sales prices is many times higher than the license rate calculated abstractly by the plaintiff taking into account its share of LTE patents. At the same time, this could also result in the total license charge per license object for the LTE standard, which the plaintiff considers permissible, being exceeded many times over in relation to the licensee's actual sales price. In any case, the conflict of interest between the various providers of cell phones could not be resolved unilaterally to the detriment of the providers of cell phones operating on the market significantly below the industry-wide ASP. Instead, the plaintiff could have defined, for example, an absolute lower limit satisfying FRAND criteria, which must be paid per unit sold in any case in order to adequately reflect the objective minimum value of the invention. Likewise, it could have defined an absolute upper limit in order to take into account the (justified) concerns of manufacturers in the premium segment that the high price of their devices is based on the aforementioned aspects unrelated to technology. The plaintiff also countered the accusation of abuse without success by arguing that it is customary in the market to show uniform absolute values for a patent portfolio. In this respect, the plaintiff itself had not submitted that it had determined the absolute unit numbers precisely on the basis of the calculation method used by the plaintiff.

53. The plaintiff is appealing against this ruling and is pursuing its claim in the first instance. The plaintiff is of the opinion that the defendants are not entitled to an abuse defense under antitrust law. Its offer of 4 March 2020 is FRAND. Apart from the number of units, it corresponds to the offer which the Senate deemed to be FRAND in its ruling of 25 November 2020 in other proceedings (GRUR-RS 2020, 56869). Initially, the so-called top-down approach had been used to determine the plausibility of the amount of the royalties. This was not questioned by the Regional Court, nor was the possibility of providing for a uniform, fixed USD amount as royalty for all licensees. By taking into account both high-priced and low-priced cell phones, it had in particular been ruled out that the price found was generally unreasonable. Fixed prices were the normal case for (electronic) hardware, with the consequence of widely differing percentage charges in relation to the individual sales price. It is not clear why intellectual property should be treated differently from hardware, especially since the defendants obviously did not take into account expenses for licenses when calculating the price. In this respect, the Regional Court mixes up the derivation of the fixed price based on lump sums (the amount of which is also supported by comparative license agreements) and the fundamental effects of a fixed price (of hardware and intellectual property) on the respective manufacturers in different

price segments. In this context, it had to be taken into account that low-price providers essentially limited themselves to marketing the technology, while other factors such as a famous brand, good reputation or special additional functions (particularly good camera, etc.) were significant for higher-priced providers. The Regional Court‘s statement that the fixed price determined by the plaintiff was to be assessed differently from the fixed prices of other licensors in the area of mobile communications technology was irrelevant, as it was "not submitted" that the latter were also determined using the method used by the plaintiff. This is because the methodology used in each case to determine the price makes no difference in this respect, as a fixed price always has different effects. By setting upper and lower limits for the license fee, the Regional Court negated the fact that uniform fixed prices were possible and thus erred in law by opposing the established licensing practice in this respect. Contrary to the opinion of the Regional Court, the license fee offered to the defendants does not lead to them having to operate in a higher-priced market segment or to a different business model being forced upon them. At the same time, this point constitutes a decision-relevant violation of the right to be heard pursuant to Art. 103 I GG, since the Regional Court explicitly rejected the defendants' criticism of the industry-wide ASP at the first hearing, whereas the Regional Court surprisingly followed this criticism for the first time at the further hearing on 21 October 2020, without any prior indication by the Chamber. If the court had pointed this out, the plaintiff would have had to make supplementary submissions relevant to the decision. Irrespective of this, the appropriateness of the license fees offered is now also confirmed above all by the settlement license agreements submitted. The Regional Court erred in law in not addressing these submitted agreements. The (theoretical) total burden is never examined on the basis of settlement agreements, but rather exclusively on the basis of which license fees are actually accepted on the market. The defendants overlook the fact that, irrespective of the calculation method, the only thing that matters in the end is that the license fees offered by the plaintiff - as evidenced by the settlement license agreements - are FRAND. Since the defendant's counteroffers provide for only a fraction of royalty payments compared to the license agreements concluded, they are contrary to FRAND. The Regional Court also erred in law and procedure by not addressing the indicative effect of the findings in the parallel proceedings for the adequacy of the license fee offered to the defendants, according to which the plaintiff was awarded ongoing license fees for the use of two (...) patents after extensive expert hearings against the defendants. The counter-offers of the defendant were obviously insufficient with regard to the amount last determined in the proceedings in (...) for the past and the future, which had referred to two patents alone (and not to a patent portfolio). In view of the high legal costs, it should be possible for the plaintiff to demand a considerable surcharge. Finally, the Regional Court erred in not making any findings as to whether the license fee offered was at all suitable to impair competition. The defendant's letter of 22 March 2016 did not constitute a sufficient request for licensing, as it only referred to the patents-in-suit, i.e. it was solely directed at the removal of pending actions and not at the licensing of the entire portfolio, which is necessary for the legalization of its actions. The Regional Court failed to recognize that the absence of any reaction by the defendant to the four letters of advice/reminder in the period from December 2014 to April 2015 constituted a breach of its obligation under antitrust law to react and cooperate for the purpose of concluding a license agreement. The Regional Court was wrong to find that the defendants were sufficiently and continuously willing to license. This was also contradicted by the fact that the defendants had submitted a counter-offer for the first time on 30 January 2020, i.e. more than five years after the first contact by the plaintiff and more than four years after the first offer by the plaintiff. It was neither legally nor factually justified to assume, on the basis of statements by the Chamber, that the plaintiff could not have interpreted the defendants' attitude of refusal over many years as a lack of willingness to license. In doing so, the Regional Court not only failed to recognize that the defendant's counteroffer of 31 January 2020 was late, but also that its content was an expression of its ongoing disregard of its obligation under the ECJ‘s "Huawei/ZTE" decision to cooperate purposefully in the conclusion of a FRAND license agreement. The way in which the defendant dealt with the adjustment clause was significant, as at no time did it make any proposal of its own for the wording of the clause. Irrespective of this, the defendant's continued unwillingness to license was shown by the fact that it subsequently entrenched itself in its position and did not show any willingness to compromise. The defendant's counter-offers were evidently contrary to FRAND. The defendants counteroffer was obviously no longer within the FRAND corridor. Even if the defendant's counteroffer had been FRAND-compliant, the assertion of the injunctive relief was not FRAND-compliant, since the plaintiff had made a FRAND offer that the defendant should have accepted. After almost seven years of delaying tactics, the defendants were precluded from invoking a FRAND objection in good faith.

54. The plaintiff requests that the judgment of the Mannheim Regional Court (21 August 2020 - 2 O 136/18) be amended and that the defendant be sentenced as requested at first instance.

55. The defendants request that the appeal be dismissed.

56. There can be no doubt about the defendant's expressly declared and maintained willingness to license, in particular with regard to the most recent rendering of account for the year 2020 and further provision of security by the defendant. Rather, the plaintiff had initially filed a premature lawsuit in February 2016 in order to then submit several evidently FRAND-infringing license offers to the defendants or their parent company. Only the license offer of the plaintiff on 12 December 2019 was at least not "obviously" contrary to FRAND. Prior to that, the defendants were also not obliged to make a counteroffer. According to the judgment of the Regional Court, the plaintiff could not seriously expect that the defendants would make further significant concessions. The counteroffer was FRAND. In particular, there could be no objection to the defendant applying the percentage royalties to the net sales prices of (...), since the top-down approach in principle provides for such a reference. The license agreements of the plaintiff confirmed the FRANDC character of the counteroffer. The decisive factor for a comparability of the contracts - in particular the existing contracts with the counteroffer - was not the USD amount paid per device, but the percentage license fee in relation to the net sales price. The individual average sales prices of its existing licensees, however, are precisely what the plaintiff does not want to disclose. The offer of the plaintiff is not FRAND, at least vis-à-vis the defendants. Nor do the defendants take the view that the license offer by the plaintiff per se is contrary to FRAND vis-à-vis every license seeker. However, this is precisely the case for the defendant or its parent company, whose average sales price is significantly below the industry-wide average sales price. In doing so, the plaintiff inadmissibly mixes the top-down approach, which leads to a percentage license fee, with considerations of a fixed price model, which is alien to the top-down approach. The top-down approach is fundamentally based on the consideration that the basis for any value creation in the mobile communications sector is the mobile communications technology as such. It goes without saying that the license offer of the plaintiff, which does not comply with FRAND, is also relevant to competition. The damages in the (...) proceedings could not justify the calculation model of the plaintiff. The (...) proceedings were not about setting a FRAND license fee, but about damages according to the general conditions. In addition, the lump sum amount cited by the plaintiff included estimated royalty payments up to the year 2029 as well as interest, so that a comparison with the offers discussed here is not possible. The offer contains royalty payments until 2029 as well as interest, so that a comparison with the offers discussed here is not possible. Even if the license offers of the plaintiff were FRAND, the action for injunctive

relief would have to be dismissed, since the defendants had made a concrete FRAND offer to the plaintiff.

57. The appeal was successful.

Reasons:

58. B. The admissible appeal is well-founded.

59. The plaintiff can demand the requested injunction from the defendants, since the defendants infringe the patent in suit (I) and they cannot raise an antitrust abuse objection against the plaintiff (II).

60. I. The asserted claim for injunctive relief as well as the claims for recall and destruction are due to the plaintiff from Art. 2, 64 EPC in conjunction with Sec. 9 No. 1 Patent Act, Sec. 14 Patent Act, Sec. 139 (1) Patent Act, Sec. 140 a (1) and (3) Patent Act. […]

[…]

61. II. The defendants cannot counter the claim for injunctive relief with an objection to abuse under antitrust law.

62. 1**.** The Regional Court correctly and with appropriate considerations assumed that the plaintiff is the norm addressee of Article 102 TFEU, since it has a dominant position on the license market with regard to the standard-essential patent in suit. This position is not based on the fact that only the plaintiff as patent proprietor can grant licenses, but on the effects of standardization on the product market. This is because the use of the patent-protected teaching is indispensable for the implementation of the standard standardized by the standardization organization ETSI, so that it is technically impossible to circumvent the invention without losing important functions for the product market. There is nothing presented or otherwise evident that the technical teaching corresponding to the patent and the standard could be substituted by another technical design of the product.

63. 2**.** The Regional Court also correctly took into account that the plaintiff only informed the defendant of the infringement of the patent in suit with the letter of 1 February 2016. The letter

of 15 December 2014, which was reminded of several times in 2015, however, exclusively concerned an infringement of (...) patents. It was not able to fulfill the purpose of such an infringement notice. For this lies in the fact that, in view of the large number of SEPs that have to be used to implement a standard such as the present one, the infringer may not be aware of making unlawful use of the teaching of the standard-essential patent by implementing a technical solution required by the standard (cf. BGHZ 225, 269 = GRUR 2020, 961 margin no. 73, 74 - FRAND-Objection I; BGHZ 227, 305 = GRUR 2021, 585 margin no. 55 - FRAND-Objection II; ECJ GRUR 2015, 764 margin no. 60, 62 - Huawei/ZTE). The patent proprietor only fulfills this reference function if it refers precisely to the infringement of the patent-in-suit, since it concretizes the infringement in both factual and spatial terms and only in this way enables the infringer to form a picture of the justification of the patent infringement allegation (see BGHZ 225, 269 = GRUR 2020, 961 marginal no. 85 - FRAND-Objection I). Accordingly, the reference to the infringement of (...) patents was not sufficient to create awareness among the defendants that the European patent was (also) infringed. This reference was only made in the letter of 1 February 2016, in which the features of claim 9 of the patent in suit were sufficiently compared in a so-called "claim chart" in excerpts from the above-mentioned LTE standard documents.

64. 3. Contrary to the opinion of the Regional Court, the plaintiff does not abuse its dominant position in the market if it is not prepared to conclude a license agreement on terms other than those proposed by it because the defendants are not willing to license.

65. a) For the assessment of whether a conduct of the license seeker expresses a willingness to license or serves to delay the conclusion of a license agreement on FRAND terms, the Senate continues its case law (GRUR 2020, 166 – Data Package Processing; Higher Regional Court Karlsruhe GRUR-RR 2021, 203 – Mobile Station, and Higher Regional Court Karlsruhe GRUR-RS 2020, 56869) taking into account the subsequently published judgment of the Federal Court of Justice of 24 November 2020 (BGHZ 227, 305 = GRUR 2021, 585 - FRAND-Objection II) in accordance with the following considerations:

66. For the necessary will of the user of the protected technical teaching to conclude a license agreement on FRAND terms, it is regularly not sufficient if the infringer, in response to the infringement notice, merely shows willingness to consider the conclusion of a license agreement or to enter into negotiations as to whether and under what conditions a conclusion

of an agreement would be possible for him. Rather, the license seeker must clearly and unambiguously declare his willingness to conclude a license agreement on FRAND terms, whatever FRAND terms may actually look like, and must also subsequently participate in the license negotiations in a targeted manner (cf. BGHZ 225, 269 = GRUR 2020, 961 para. 83, 95 - FRAND-Objection I, with reference to the apt formulation: "a willing licensee must be one willing to take a FRAND license on whatever terms are in fact FRAND" (Birss, J) EWHC 5.4.2017, (2017) EWHC 711 (Pat) para. 708; BGHZ 227, 305 = GRUR 2021, 585 para. 57 - FRAND-Objection II).

67. The willingness to license to be demanded from the infringer is not a static attitude which would continue to exist unchanged for a certain period of time after its denial or affirmation. An abusive refusal by the dominant patent proprietor necessarily presupposes a continuing demand by the infringer for the conclusion of an agreement on FRAND terms and his willingness to cooperate in the conclusion of such an agreement, without which a "refusal" by the patent proprietor would come to nothing (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 66 - FRAND-Objection II). Accordingly, the continued willingness to license is an indispensable prerequisite for a successful license negotiation and thus also for the accusation of an abuse of market power against the patent proprietor in the event of its failure (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 68 - FRAND-Objection II).

68. The requirements for the conduct of the patent proprietor and the conduct of the user of the invention are mutually dependent. Since the standard of review is what a reasonable party interested in the successful conclusion of the negotiations in a manner that is in the interests of both parties would do in each case to promote this objective at a particular stage of the negotiations, the requirements to be imposed in detail are not subject to a general definition (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 57 - FRAND-Objection II; ECJ GRUR 2015, 764 marginal no. 71 - Huawei/ZTE). In this context, the negotiation steps of parties interested in concluding a contract build on each other. A duty to promote therefore always exists if and to the extent that the next negotiating step can be expected according to business practice and the principles of good faith (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 68 - FRAND-Objection II).

69. Under which circumstances a lack of willingness to license on the part of the patent infringer exists is a question of the individual case (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 78

– FRAND Objection II). The expression of a wish to license or of a willingness to negotiate does not say anything about whether this declaration is meant seriously. Rather, it may also be the result of a delaying tactic on the part of the patent user (cf. BGHZ 225, 269 = GRUR 2021, 585 marginal no. 82 – FRAND-Objection II), which may not be accepted in order to protect the patent proprietor as well as the competition between the patent users (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 77 - FRAND Objection II). The "delaying tactic" typically consists precisely in not simply rejecting a license agreement on FRAND terms, but rather in ostensibly seeking it, but pushing back the finding of an appropriate solution in detail or at least postponing it as long as possible (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 67 – FRAND-Objection II).

70. The assessment of whether a delaying tactic is being pursued, which is to be made on the basis of objective aspects, is also to take into account the further conduct of the infringer in response to an infringement notice or an offer by the patent proprietor (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 77 – FRAND-Objection II). A bona fide license seeker willing to take a license would not be interested in postponing taking a license as long as possible in order to bridge the period until the patent-in-suit expires or to avoid paying royalties for as long as possible. Rather, he would have an interest in obtaining a license as quickly as possible in order to shorten the period during which he uses the patent-in-suit or the patent portfolio with the patent-in-suit without authorization, and in any case without payment of a royalty. He would not understand the negotiation obligations incumbent on the SEP holder primarily as a tried and tested means of successfully defending himself procedurally against a patent infringement action, but would press for their fulfillment because he needs them in order to achieve a license agreement on FRAND terms and thus to be able to act materially lawfully in the future.

71. Accordingly, it is also incumbent on the license seeker to respond to an offer by the patent proprietor which, from his point of view, appears to be contrary to FRAND. At least in the case of a complex situation, as is typically the case in the licensing of standard-essential patents, it is regularly not obvious which contractual terms in a specific case meet the requirements for an appropriate balance of interests and at the same time do not violate the prohibition of discrimination under antitrust law. In addition, there is usually not one license agreement that satisfies the FRAND conditions, but a range of possible appropriate solutions. As a rule, the patent proprietor is only able to take into account any legitimate interests of the user once he is aware of them (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 70 - FRAND-Objection II).

It is therefore precisely the task of the negotiations to produce a fair and appropriate final result and, to this end, to articulate the interests of both parties and to put forward for discussion factual and legal aspects which, from the point of view of at least one party to the negotiations, may be of significance for this result (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 71 - FRAND-Objection II). In this context, the license seeker must generally inform the SEP holder of any objections at an early stage and may not save them for later use in a legal dispute (Senate GRUR-RR 2021, 203 marginal no. 254). Accordingly, delaying tactics may be considered in particular - but not exclusively - if the patent user does not respond to the patent proprietor's explanations within a reasonable period of time. Accordingly, delaying tactics can be considered in particular - but not exclusively - if the patent user does not react to the patent proprietor's explanations within a reasonable period of time, in particular if he rejects the offer of the patent proprietor, but nevertheless fails (although this can be expected according to the concrete circumstances of the individual case in accordance with the usual practices and the principles of good faith) to make a concrete counter-offer in writing within a short period of time which complies with FRAND conditions (BGHZ 227, 305 = GRUR 2021, 585 marginal no. 77 – FRAND-Objection II).

72. Even if a license offer obviously does not comply with FRAND conditions, this does not completely release the license seeker from his obligation to participate in the negotiation process. It is sufficient, but at the same time also necessary, to inform the patent proprietor of the reason why the offer, in the opinion of the license seeker, obviously does not comply with FRAND conditions. It is decisive from which reaction the user of the invention may assume that the conclusion of a license agreement on FRAND terms can be properly promoted (see BGHZ 227, 305 = GRUR 2021, 585 marginal no. 71 - FRAND-Objection II). If the license seeker regards the offer as obviously not FRAND for several reasons, he is thereafter required to state all reasons for this to the patent proprietor. The license seeker is not allowed to retreat to a single obvious violation of the offer against the FRAND criteria and remain silent on other aspects which, from his point of view, are also contrary to FRAND. Instead, it is in good faith in participating in the license negotiations alone that the license seeker promptly reports back all objections to the offer so that all issues material to the patent proprietor‘s further dispute at that time are "on the table." In this context, the license seeker, if he considers a clause to be evidently contrary to FRAND, may not be obliged to conduct an in-depth examination of the rest of the offer. However, circumstances that are obvious to him, for example because they

concern the basic structures of the license calculation, must be taken into account already during the first dispute and reported back to the patent proprietor if he considers them to be contrary to FRAND.

73. The license seeker is only released from the obligation to respond and thus also from the obligation to state all obvious objections at the same time if an offer is contrary to FRAND to such an extent that, when objectively evaluated, it appears not to be meant seriously and thus as a refusal to conclude a license agreement on FRAND terms. (cf. BGHZ 227, 305 = GRUR 2021, 585 marginal no. 71 – FRAND-Objection II). However, it is not sufficient in all cases that a single clause of an offer is obviously contrary to FRAND, even if the entire offer may not appear to be FRAND as a result, but rather it depends on an overall assessment of all the circumstances at hand.

74. b) According to these standards, the defendants are not willing to license. The defendants have declared their willingness to conclude a FRAND license agreement. However, in view of their conduct in the license negotiations, this declaration is not meant seriously, but the defendants are trying to postpone the conclusion of a license agreement as long as possible by delaying the license agreement negotiations.

75. aa) It is true that the defendants correspond with the plaintiff, i.e. they do not completely close themselves off to communication with the plaintiff. However, the behavior of the defendant shows in an overall view to the certain conviction of the Senate that it uses its points of criticism for purely procedural reasons in a staggered manner in order to delay the proceedings, but does not strive to bring about the fastest possible and most comprehensive clarification of the disputed points.

76. i) A presentation ("Comments on FRAND Methodology") was attached to the first offer of the plaintiff dated 1 February 2016. This showed a license fee of (...) USD per unit for LTE-enabled products (slide 2). It was clarified that a royalty was calculated that would apply to all possible licensees. However, the company was willing to negotiate adjustments. One of the explanations given for the calculation was that the average sales price of the SSPU (Smallest Saleable Patent Practicing Unit) was determined for this purpose. Thus, already at this point in time, the plaintiff disclosed the basic structure that led to the offer of the license fee. In a

letter dated 17 May 2016, the plaintiff explained, among other things, in response to a query from the defendant that a "reasonable" price of USD (...) per handset had been assumed.

77. Subsequently, the defendants did not initially address this and did not object to this fundamental setting of the course for the license negotiations. Neither did the defendants state that a per-unit license calculated identically for all licensees was not FRAND, nor that an excessively high average sales price had been used to calculate the per-unit license. Instead, in response to the offer of 1 February 2016 and the explanation of 17 May 2016, they subsequently objected primarily to clause 5.6.2 (later 5.6.1). It was only in response to the third license offer - sent by letter dated 30 April 2018 - that the defendants replied for the first time in a letter dated 30 May 2018 that the average sales prices of the defendants' LTE-capable cell phones were below (...) USD. By letter dated 20 June 2018, defendants argued for the first time that a per-unit license was inconsistent with the top-down approach as applied to various decisions (UK High Court 30 November 2017, (2017) EWHC 711 (Pat); US District Court of California 22 December 2017 - 8:14-CV-00341), where a percentage-based royalty of the sales price was determined. A per-unit license would be more favorable to manufacturers of less expensive cell phones, such as (...), discriminatory.

78. ii) There is no apparent reason for the defendants to have raised their objections to the basic method of calculating the royalties for the first time two years after the offer of 1 February 2016. It is true that the aforementioned letters from 2018 were immediately preceded by the third license offer of the plaintiff from 30 April 2018. However, compared to the offer of 1 February 2016, explained in the letter of 17 May 2016, this did not result in any change to the parameters for determining the license fee that were later criticized by the defendant. Already in this first offer, the plaintiff disclosed that it intended to base the calculation of the license fee on an average sales price of cell phones and had determined this - in accordance with the explanation - to be USD (...). In order to obtain this information, no detailed examination of the offer was necessary, but it was explicitly highlighted in the attached presentation. The fact that this was not a determination of the average sales price of the defendant's mobile phones, which was erroneous in terms of amount, but an average price independent of the manufacturer, was already apparent from the fact that the plaintiff pointed out in the presentation that it had determined a licence fee which applied to all licence seekers. The Senate is therefore convinced that the defendants already knew from this point in May 2016 that the plaintiff was offering a license fee whose amount was not determined according to the

average sales price of the defendants' cell phones, but according to a manufacturer-independent average price. In addition, the defendants already knew from this first offer that the plaintiff was offering the defendants a per-unit license and not a percentage sales license.

79. These two key parameters, on which the amount of the license fee was already based after the first offer by the plaintiff, had not changed in the third offer of 30 April 2018. In this offer, the plaintiff also offered the defendants a per-unit license, which it had determined uniformly for all license seekers and which also used the manufacturer-independent average selling price of LTE-capable cell phones as the decisive factor.

80. A "caesura" - as asserted by the defendant's representative at the oral proceedings on appeal - did not occur as a result of the submission of the third offer. It is true that the third offer differed in various respects from the first offer and in this respect may have represented a different economic basis which had to be reassessed. In particular, it was new that the top-down approach was used to determine the license fee per unit. It may be that the use of this approach first led to the new criticism that the approach should not be combined with a per-unit license. However, not every new offer is able to reset the course of the license negotiation to the beginning in the sense of a "caesura", so that no conclusion could be drawn from the previous conduct of the patent infringer as to his willingness to license. Instead of a blanket statement, it must be specifically examined in which points the new offer differs from the previous offer. In individual cases, this may lead to the patent proprietor completely dropping the methods and conditions he put forward in the first offer, so that license negotiations, even if they had been conducted up to the submission of the new offer, would be irrelevant for the new offer due to the differences. If, however, the patent proprietor retains parts of his offer, but modifies others, the previous negotiations are precisely not irrelevant for the retained parts, and it is indicative of a delaying tactic on the part of the infringer if he takes them up for the first time when submitting a new offer, even if the offer in its entirety is economically significantly different due to the modified part. Thus, the content of the third offer in the present case - irrespective of whether the defendants' view of the top-down approach is correct - does not explain why the defendants did not already oppose the uniform unit license for all license seekers in response to the first offer, even if it may have been calculated on a different basis. This applies all the more to the objection to the amount of the average selling price as a further - from the percentage of license fee independent - factor for determining the unit license offered. It is true

that the amount of this factor may differ between the first and the third offer. In its structure, however, the factor has remained identical, so that there is no "break" in this respect.

81. No circumstances are apparent that could have prevented the defendants from raising their fundamental objections to the amount of the average sales price, to the determination of the average sales price on the basis of a worldwide, manufacturer-independent consideration, and to a uniform unit license for all license seekers earlier, immediately after the first offer. Rather, the defendants made queries about the amount of the license fee in response to the first offer, so that it can be assumed that they dealt with this.

82. Instead, they focused primarily on the criticism of clause 5.6.2 (later 5.6.1). It can be left open here whether the view of the Regional Court is correct that this clause is obviously not FRAND. The concerns of the Senate arising from the fact that the subject of the assessment of whether an offered or requested license is fair, reasonable and non-discriminatory cannot in principle be an individual contractual clause, but always the overall effect must be legally evaluated, need not ultimately be pursued. Therefore, it is also not necessary to go into detail as to whether a formulation of certain aspects that is disadvantageous to the licensee (such as the insufficient adjustment of the contract in the event of the lapse of individual property rights of a portfolio) can be "compensated" by a formulation that is advantageous to the licensee in other aspects.

83. For it does not comply with the above requirements for the patent infringing license seeker if he merely resorts to criticism of this clause. If an offer of the patent proprietor is not FRAND, this may indeed mean, according to the principles outlined, that the license seeker has not violated its obligations to cooperate in the license negotiations if it does not itself submit a counteroffer that meets FRAND criteria. However, if the defendants think that they do not even have to respond to an offer that is obviously not FRAND, this is not true. This is also not contradicted by the fact that the Regional Court may have strengthened the defendants' view that clause 5.6.2 (as such) is contrary to FRAND. From this, the Regional Court also merely concluded that the defendants did not have to submit a counteroffer. That the Regional Court informed the defendants that they would be released from all obligations to cooperate for this reason alone is neither submitted nor otherwise evident. It can be assumed that the offered license agreement containing clause 5.6.2 (5.6.1) is obviously not FRAND. For - as explained - the FRAND-violation of an offer due to a single clause does not yet lead to the fact that any

reaction to the offer becomes dispensable. Also in the present case, the defendants could not understand the offer of the plaintiff in such a way that there was no interest at all in concluding a FRAND-compliant offer. Certainly, the parties' views on this clause may have diverged widely. However, this did not make it unnecessary not to assert other aspects which appeared to the defendant to be contrary to FRAND. Against this background, in view of the obviousness of the circumstances for the calculation of the royalties on which the defendants now rely, it is obvious that they had reserved this objection for a later date for purely tactical reasons.

84. bb) In this context, it is irrelevant that the parties can still make up for their obligations in the pending legal dispute (Senate GRUR 2020, 166 marginal no. 116 et seq. – Data Package Processing). The above assessment is also not refuted or at least invalidated by the defendant's further conduct.

85. In particular, the last development also shows that the defendants do not seriously intend to conclude a license agreement with the plaintiff, but only superficially state this, but actually want to delay the conclusion of a license agreement.

86. Thus, in its eighth offer of 4 March 2020, the plaintiff reduced the offered payment amounts for the past and the future to a total of EUR (...) million, i.e., by approximately (...) %. In response to this, the defendants informed the Senate by email dated 21 August 2020 that they were sticking to the amount offered for the past and - this is decisive for the acquisition of a license for the future - that they were prepared to pay a lump-sum license fee for the period until June 2026. The defendants calculated this fee according to the average sales prices of their cell phones and also made it the basis that this flat fee is calculated from a sales turnover that is (...) % below the turnover for the year 2019. This is because sales for 2019 are expected to be (...) % lower. The defendants are also prepared to agree on a shorter term (e.g. until 2023).

87. The Senate cannot recognize any willingness to negotiate on the part of the defendants in this reaction, which was described as a third counter-offer. For the year 2020, it may still be assumed that the defendants are "accommodating" the plaintiff to the extent that they are prepared for the first time to agree on a lump-sum license fee in addition to their offer of a percentage fee, based "only" on a decrease in sales in the amount of (...) %. Even if the percentage royalty and the flat-rate royalty differ fundamentally in their calculation, they can still be examined in terms of their economic significance for the parties to the license

agreement. In the case of a flat-rate license fee, both parties bear a risk with regard to the development of sales in the future. If the sales figures develop worse in the future, this is to the detriment of the licensee; if they develop better, on the other hand, it is to the detriment of the patent proprietor.

88. Despite these structural differences between a license fee, no economic concession can be seen in the offer of the defendants. From their point of view, the defendants indicate that they are prepared to agree on a flat license fee if this is based on a turnover (...) % below the level of the year 2019. It already appears doubtful whether the defendants are really approaching the plaintiff if they base their counteroffer "only" on a reduction of (...) % instead of (...) % according to the (not further explained) sales expectation for the year 2020. For it must be taken into account that the 2020 financial year had not yet been concluded for the defendant at the time of the offer and that it was only estimated that there would be a decline in sales and how high this would be. Even for 2020, with such an arrangement, there was at least the possibility for the defendant to conclude a more advantageous contract compared to its original counteroffer if sales normalized in the second half of the year - possibly due to an economic normalization following the measures to contain the Corona pandemic in the first half of the year. This applies a fortiori to the subsequent years, as the plaintiff - despite partially higher sales figures in the years prior to 2019 - would allow itself to perpetuate and fix a decline in sales in the amount of (...) % for the future. This is also supported by the sales figures submitted by the defendant itself at this time: If the year 2015 is disregarded as the "start-up phase" in favor of the defendant, the sales figures fluctuate considerably in the following years. If the figures are compared on the basis of annual trends, they fell by (...) % from 2016 to 2017, before rising by (...) % from 2017 to 2018, only to fall again by (...) % from 2018 to 2019. A steadily declining trend cannot be inferred, at least from these figures. The defendants have not provided the plaintiff with any corresponding information for the years 2021 to 2026. In addition, the figure used by the defendants for 2019 is just under (...) % below the four-year average. Against this background, the offer of the defendant reads accordingly that it is prepared - instead of a license dependent on the amount of sales - to agree on a flat-rate license if the plaintiff agrees to a calculation based on sales figures of (...) % below the average of the past four years for the entire term until 2026. In the absence of any other explanations by the defendant, it is not clear why the defendant should have made a significant economic concession.

89. In particular, the defendants continue to base this calculation on the actual sales figures on the license fee determined from the (low) price of the defendants' cell phones. However, this is precisely the essential point of dispute on which the Defendants have been relying since 2018. In this respect, no concession whatsoever can be inferred from the response of the defendant to date. In this context, the Senate does not deny that the defendants may have been strengthened in their view by the statements of the Regional Court in the oral proceedings and by the judgment appealed against here. However, this does not absolve the defendant from participating in license negotiations. The Regional Court based its decision on the objection of abuse under antitrust law essentially on the fact that the offer of the plaintiff did not take sufficient account of the low price level of the cell phones offered by the defendants and that this resulted in a disadvantage for providers of low-priced cell phones. Irrespective of whether this view of the Regional Court is correct (see below), other designs are also possible than those most recently advocated by the defendants. The defendants should at least have concluded from this that not only their specific sales figures can be decisive, but also an average of prices for "low-priced" cell phones determined independently of the manufacturer. However, if the defendants do not respond in any way to a reduction of the license fee by (...) % by the plaintiff and, for example, offer a higher average price than that of their own cell phones, but instead insist on their maximum position in this regard, this confirms that the defendants are not seriously prepared to license.

90. The third counter-offer made by the defendant's parent company is equally unopposed. Firstly, the parties deliberately do not provide any details on this offer in view of a confidentiality agreement, so that a viable assessment is not possible for this reason alone. Secondly, no concession on the part of the defendant can be derived from the circumstances presented.

91. As the defendants themselves state, the offer continues to be based on the previous counter-offers. This then also includes the view (unchanged by the defendants) that their average sales prices alone are decisive. Accordingly, it states that with regard to the contract of the plaintiff with (...) "in favor of the plaintiff", it assumes that the lump sum license amount agreed there would have to be at least (...) times as high as a corresponding lump sum license amount to be paid by the parent company of the defendant. The defendants thus continue to believe that only the average selling price of their mobile devices is decisive. In this respect, no concession is apparent. In addition, the increase in the lump sum compared to the second counter-offer may also be seen at least in part as payment for the offered transfer of three patent families to

the plaintiff, so that it remains unclear whether the increase represents any concession at all with regard to the amount of the license fee and, if so, to what extent.

92. This is also not contradicted by the letter of the defendants dated 9 December 2020. In this letter, the defendants, with regard to the renewed transmission of a license agreement that the plaintiff had concluded with a third party, merely stated that (...) was willing to consider a higher lump sum. Even the extremely weak wording ("would therefore also be willing to consider increasing the lump sum offer ...") casts doubt on the seriousness of the statement. Moreover, the statement remains empty of content, since it is not even remotely connected with a possible concrete contribution to negotiations (let alone a counteroffer), although the defendants now have further information with the new license offer, so that the defendants' position (already discussed) remains unchanged after their third counteroffer.

93. 3. Even if the defendants were to be regarded as basically willing to license, they have not conclusively shown that the plaintiff is abusing its bargaining power due to its dominant position in the license negotiations.

94. a) Contrary to the statements of the Regional Court, the seventh license offer of the plaintiff dated 4 March 2020, at any rate satisfies FRAND criteria.

95. **1**As the defendants are also aware, the Senate has already ruled in another case (GRUR-RS 2020, 56869) that the license offer submitted by the plaintiff here also to the defendants satisfies FRAND criteria. Contrary to the view of the defendant, the offer is FRAND not only vis-à-vis the defendant there, but also vis-à-vis them, in particular because the cross-manufacturer worldwide average prices for LTE-capable mobile devices may be used to determine the amount of the license fee and the sales prices of the defendant's devices do not necessarily have to be taken into account.

96. aa) Like the defendant, the plaintiff has based its offer on a top-down approach. This is not legally objectionable.

97. bb) It is not already contrary to the FRAND criteria that plaintiff offered the defendants exclusively a per-unit license as ongoing license fee. It is argued in some quarters that only a pro rata license can be considered so that the respective sales price of the licensed product can be taken into account, since otherwise there would be a fear of unjustified unequal

treatment if the identical per-unit license fee could be demanded regardless of the sales price (Kurtz/Straub GRUR 2018, 136 (138); Haedicke/Timmann PatR-HdB/Bukow, 2nd ed. 2020, Sec. 13 marginal no. 369). However, the Senate does not follow this view. License fees that are based on the licensee's sales success (per-unit licenses; licenses based on turnover or revenue) are in principle neutral from an antitrust point of view and in particular do not have the effect of restricting the licensee's freedom to set prices vis-à-vis its customers, which is impermissible under antitrust law (LMRKM/Nordemann, 4th ed., 3rd part, marginal no. 26; Kühnen Patent Infringement-HdB, 14th ed., part E marginal no. 564).

98. This is also not contradicted by the economic consideration according to which an exploiter of inellectual property rights who is exposed to effective competition will also be granted licenses in the lower price segments as long as he can still achieve a price there that exceeds his variable costs (so Kurtz/Straub GRUR 2018, 136 (138)). However, this fails to recognize that cost-based methods are rather less suitable in this context, as it is difficult to estimate the costs associated with the development of a particular patent or patent bundles (Communication from the Commission, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal cooperation agreements, 2011/C 11/01 para. 289). On the contrary, the ratio of the royalties to the cost price or other costs is not relevant for the assessment of the royalties. Unlike water prices (cf. BGH NJW 2012, 3243 marginal no. 15 et seq.; BGHZ 206, 229 = NJW 2015, 3643 marginal no. 23 et seq. – Water Prices Calw I and II), the costs incurred for the creation of an invention are generally not suitable for measuring its value. Such a cost-based approach does not take into account that a decisive factor for the creation of an invention is often not the costs incurred, but the creative act of the inventor. This does not change even if an SEP is purchased. This is because the purchase price expended does not thereby become the prime cost for the creation of the invention - just as little as, for example, the purchase price paid by a buyer for the acquisition of a waterworks would henceforth in itself become the sole decisive cost factor with which the cost control of a water price would be carried out (Senate GRUR-RR 2021, 203, juris-Rn. 307).

99. cc) It is also not objectionable that the plaintiff motivated its royalty on the basis of the average sales price of cell phones. The offer of 4 March 2020 assumes for both offered variants (lump sum payment or ongoing license payments) - uncontradicted - annually formed (forecast) average prices for the years 2014 to 2026, which are already explained in the cover letter to the sixth offer of 19 December 2019, in each case by naming the forecast data of data providers

used. It also takes into account the sales figures cited by the defendants. Furthermore, in the variant with ongoing license payments, the offer provides for a right of adjustment for both parties in the event of deviations between the actual and forecast average sales price that lead to significant changes in the license rate. This removes the basis for the defendant's original criticism that it is wrong to base the offer on an average price formed from the average of the past period from 2011 to 2016 due to the variability over time, not to provide for annual averaging, not to take future developments into account and, if one is already operating with past values, not to use the more informative to give greater weighting to more recent years than to older years. The fact that the adjustment now provided for only applies in the event of deviations in the license rate of at least (...) % is not objectionable, because the introduction of such a materiality threshold serves the protectable interest of avoiding a recalculation due to insignificant changes and benefits both contracting parties, because the materiality threshold both applies to price increases as well as price decreases and counteracts the inefficient use of resources to determine the actual bases.

100. To the extent that the defendants believe that the average selling price of all cell phones with LTE technology taken as a basis in the starting point is per se unreasonable because it leads to an excessive value of the LTE technology compared to other components of a cell phone, but rather to the average prices of the cell phones sold by (...), which are significantly below the industry average, they first fail to recognize that it is not a matter of an isolated consideration of individual calculation factors, but rather of whether the license fee resulting in the end proves to be FRAND. As will be explained later, this is the case.

101. Apart from this, the criticisms do not hold water even when viewed in isolation. It is true that, due to the formation of an industry-wide average price, those price-forming factors are also included which have no relation to technology but are linked to the prestige of the manufacturer or the brand or a special design or a special quality of workmanship. In particular, the average price is increased by those products for which the aforementioned non-technology-related price-forming factors are particularly pronounced. On the other hand, industry-wide averaging entails the inclusion of particularly cheap products which may be offered at dumping prices and without calculation of the royalties to be paid for the use of standard-essential patents per se.

102. dd) The total license fee for LTE of (...) % also does not constitute a violation of FRAND. A range of between (...) % and (...) % was considered appropriate in the (...) decision. The fact that other SEP holders see the total license charge in the single-digit or low single-digit percentage range does not lead to a different assessment, because it does not follow from this that a rate of (...) % exceeded the limit of exploitation, whereby, as explained, it is in any case not decisively important to consider individual calculation factors in isolation.

103. ee) Furthermore, it is not objectionable as unreasonable that the plaintiff used two studies for its share of the LTE standard essential patents and formed an average value from this. The assumptions of the studies (shares (...) % and (...) %) are not so far apart as to prohibit the formation of an average. Contrary to the defendants‘ view, there is no obligation to base the calculation on the lowest value. The fact that the studies make different assumptions about the number of standard-essential patents and the share of the plaintiff does not exclude their use as inappropriate, but is due to the vagueness of the matter. Ultimately, this may even be irrelevant because the defendants themselves lastly assume a share of (arithmetically) (...) %.

104. It may be necessary to adjust the share at certain intervals in the event of major changes over time. However, the defendants do not assert in a sufficiently concrete manner that such changes are to be feared in the case in dispute, nor is it otherwise evident.

105. ff) The fact that the offer does not provide for different country- or region-specific royalities for individual countries depending on the degree of patent coverage, does not make the offer not FRAND-compliant.

106. It may make economic sense to structure the license fee differently for different regions depending on the degree of patent coverage. However, the fact that a patent holder uses a globally uniform license rate, which is considered appropriate on average, does not make the license offer appear exploitative without further ado. This can be supported in particular by the simple handling of the contract management and the fact that a license fee that is too high for smaller markets when viewed in isolation is not likely to have a significant impact due to its small share of total sales and the total license amount. In the Senate's experience, different patent coverage regularly correlates with the economic importance of the markets. Frequently, in important markets with a large number of patents, a particularly dense property right situation

is created, while in smaller, economically less important markets, a restriction to isolated patents takes place.

107. The fact that this places a burden on a licensee who achieves high sales figures precisely in regions with low patent coverage is irrelevant according to the principles set out above that the patent proprietor already satisfies its obligation to negotiate by presenting an offer that is FRAND for the average license seeker. Only if this results in generally exploitative license rates, a non-differentiating offer can be considered exploitative. However, the Senate cannot be convinced of this, since (...), (...) and (...) have concluded a license agreement under similar conditions according to the plaintiff's statement, which is not substantially disputed.

108. gg) The intended quantity discounting also does not lead to the license fee being contrary to FRAND. In principle, a patent proprietor is not required to license his standard-essential patents at a "uniform tariff" (cf. BGHZ 225, 269 = GRUR 2020, 961 marginal no. 81 - FRAND objection). However, he must observe the limits of the special prohibitions of discrimination standardized in Art. 102 (2) lit. c TFEU or Sec. 19 (2) No. 3 Act against Restraints of Competition. The prohibition of second degree discrimination, i.e. discrimination against the trading partners of a dominant company on the upstream or (in this case) downstream market, protects in this context against competition between the trading partners being distorted by discriminatory conditions (cf. BGHZ 225, 269 = GRUR 2020, 961 marginal no. 81 – FRAND-Objection). It is true that a quantity discount leads to the fact that licensees with a lower turnover are burdened with higher costs in relation to a distributed unit than licensees with a higher turnover. However, it is not prohibited per se, but requires an objective justification. Such a justification may lie in the fact that the costs of license contract management regularly rise less sharply with increasing sales than the license fees with a non-volume-discounted license rate. Moreover, it may be in the interest of the patent proprietor to give its licensee an incentive to increase sales by discounting in order to increase the degree of dissemination of the technology and thereby to attract further license seekers. Moreover, it may be justified to grant a particularly favorable rebate to large and well-known manufacturers in order to encourage other license seekers to imitate the technology by concluding license agreements with them. Since the (...) license pool, which the plaintiff joined, does not provide for a quantity discount, but for an increase of the license rates with the sales volume, this arrangement is not suitable to exclude a quantity discount, since per se contradictory arrangements can each be non-discriminatory.

109. In the case in dispute, the volume discounting is not discriminatory simply because other companies would have been offered a better discount. Rather, the defendant argues that the specific volume discounting regime, which is always the same, leads to higher effective license rates for it compared to (...) and (...). It can be left open whether this difference is already sufficient for a prohibited discrimination, because for the reasons stated above, for the assessment of the license offer of the patent proprietor it is only important that it is non-discriminatory for the average license seeker. The defendant, however, does not assert such, but claims that the rebate regime is discriminatory for itself and generally for smaller competitors.

110. hh) Ultimately, however, it is not a matter of whether the individual calculation factors are "FRAND-compliant", but only of whether the resulting license payments satisfy FRAND conditions. The Senate has no doubt about this because (...), (...) and finally also (...), according to the uncontradicted submission of the plaintiff, were offered the same fees, in particular the same quantity discounting regime, except for the different effects in the case of the quantity discounting and the additional coverage of the infrastructure patents at (...). It must also be taken into account that the fees for the defendant were further reduced by a flat rate of 25% by the eighth offer of 7 August 2020.

111. It is true that (...) benefits from volume discounting due to its high sales figures. This also applies, albeit to a lesser extent, to (...). However, this is not the case for (...), because for (...) even lower sales figures than for (...) were taken into account in some cases. The fact that (...) has nevertheless accepted the volume discounting regime therefore indicates that the envisaged volume discounting is not exploitative or discriminatory.

112. The discounting of (...) % to determine the lump sum payment was also offered to the defendants.

113. The license agreements with (...), (...) and (...) can be used as a benchmark. They did not come about due to a pressure situation. The plaintiff has shown that the license agreements with (...), (...) and (...) did not come about as a result of a legal dispute. The defendants have not disputed this statement.

114. The relevance of the contract with (...) is also not precluded by the fact that the contract may have been concluded after the offers and counter-offers have been exchanged between the parties, as the defendants complain. Conversely, this just confirms that the conditions in a continuation of the regulations after the contracts with (...) and (...) are still current now.

115. Insofar as the defendants object that the plaintiff does not disclose which individual average sales prices these manufacturers had, it is irrelevant for the reasons explained, since only the average sales prices are decisive.

116. The fact that the amount of the license fees in the (...) pool did not change after the plaintiff joined with its standard-essential LTE licenses does not lead to a different assessment. This does not constitute discrimination, if only because the defendant is free to take a license from the (...) pool. Nor can it be concluded that the patent portfolio of the plaintiff would have no economic value. The expansion of a patent pool does not necessarily lead to an increase in license fees. On the one hand, there may be bundling effects. On the other hand, it is a business policy decision whether a patent pool adjusts its fees as a result of newly added patents. Thus, in order to avoid the associated administrative burden or to attract new licensees, a patent pool may refrain from increasing the license rates of its existing licensees - if at all possible - and accordingly offer the non-increased fee to new members. Furthermore, it can refrain from an adjustment because, for example, at the same time other patents of the pool have ceased to exist, e.g. due to the expiry of time. The defendant does not claim that the plaintiff would not have a share in the pool income.

117. b) The other terms and conditions of the seventh license offer dated 4 March 2020 are also, as far as discussed by the parties and otherwise apparent, not in violation of FRAND.

118. The seventh license offer sufficiently takes into account the possibility of the licensee to challenge the validity of the licensed patents, their essential character for the standard in question or their actual use (ECJ GRUR 2015, 764 para. 69 - Huawei/ZTE). If a portfolio patent lapses or is not used and this leads to a substantial change, clause 5.6.3 (formerly 5.6.2) ensures that the license rates are adjusted (by arbitration if necessary in the event of non-agreement). It is true that the case of non-use is not expressly mentioned there, but only the cessation of use as a result of a change in the scope of protection. However, the clause is not conclusive. There is nothing apparent that the clause is intended to limit the recognized

possibility of the license seeker to attack the use or the standard essentiality of a portfolio patent. The loss of effect of a patent is even expressly mentioned as a circumstance that may be considered. The fact that only substantial amendments lead to an adjustment of the license rate is justified by the protectable interest of not having to make adjustments in non-substantial cases. Materiality applies not only to the detriment of the defendant, but also to the detriment of the plaintiff, for example in the case that new relevant property rights are added.

119. 4. the plaintiff has sufficiently explained its license offer of 4 March 2020 and its character as FRAND-compliant. Insofar as this offer has not changed compared to the respective previous versions, the plaintiff has obviously built on the previous explanations. There was no need to repeat these explanations, which would be unnecessary formalism. The defendants do not raise any objections to this in the appeal proceedings either.

120. 5. The no-pressure negotiation situation required for unhindered license negotiations existed during the appeal proceedings. In the first instance, the legal dispute was suspended from the hearing of 29 October 2019 on the license agreement negotiation without pressure to sue until the plaintiffs took up the legal dispute in their written statement of 20 March 2020. The defendants do not object to this either.

121. Whether earlier offers already satisfied FRAND conditions can be left open. It is sufficient that the defendants had the opportunity during the above-mentioned suspension period and were also required to analyze the offer of the plaintiff carefully on the basis of the previous communication for the purpose of constructive negotiation. The period of inactivity was sufficiently long for this purpose.

122. 6. The defendants‘ counteroffer of 11 March 2020 was evidently not FRAND.

123. Contrary to the opinion of the plaintiff, this does not already follow from the (not insignificant) difference between the license fees that the defendants would owe according to their offer of a percentage license fee compared to the offer of a per-unit license of the plaintiff. As explained, the offers are based on a fundamentally different structure of the license calculation, since each per-unit license fee is determined on the basis of average values, while the percentage royalty is strictly accessory to the actual sales achieved. In principle, both a per-

unit royalty and a percentage royalty can satisfy the FRAND criteria without either type of royalty being eliminated from the outset.

124. In the present case, however, the plaintiff had not only set out its general licensing model across the various offers, which is aimed at concluding unit licenses, but had also provided evidence that it had already concluded license agreements in accordance therewith. In such a constellation, a counteroffer no longer meets FRAND criteria if it would require the patent proprietor to fundamentally change its licensing model. This is because the patent proprietor has not merely decided in the abstract on a model about which he could freely negotiate with the license seeker. Rather, it has entered into concrete commitments through the agreements with the previous licensees, which it must also take into account when negotiating with new license seekers in order to take its dominant position into account. If, as a result of negotiations with a new license seeker, the patent proprietor wanted to agree on a royalty model that is fundamentally different from the model that it had previously offered and that has become the subject of the license agreements already concluded, it could expose itself to the accusation of discriminating against the existing licensees vis-à-vis the new license seeker. Due to his dominant position in the market, he could be obliged to offer this new royalty model to the existing licensees as well, which would lead to a complete change, or at least to fundamentally different licensing models. However, the patent proprietor does not have to agree to this. The new license seeker is protected in two respects: On the one hand, the license agreements already concluded indicate that the patent proprietor‘s basic license model is accepted on the market, i.e. prima facie in line with the market. On the other hand, this license model, in the concrete form in which it is offered to the new license seeker, must also comply with the FRAND criteria. Within the framework of this model, the license seeker may object to all conditions of this offer, even if they have already been agreed in other contracts. It merely cannot demand that the patent proprietor agrees to a fundamentally different type of royalty, even if the offer is FRAND-compliant.

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