Local Division Mannheim of the Unified Patent Court

UPC_CFI_ 210/2023

Decision of 22 November 2024

(...)

Factual and legal points of contention

Infingement discussion

(...)

FRAND objection

The defendants argue that the assertion of the claim for injunctive relief and the other forward-looking claims under the patent are excluded because they are precluded by antitrust law.

Contrary to the claimant's view, the FRAND objection should not only be based on the individual patent in suit, but on a comprehensive licence. Article 6 (1) sentence 1 of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) already requires that the defendant be able to defend itself comprehensively, and it also follows from European law that the comprehensive FRAND defence must be admitted.

The infringement notice required by the case law of the CJEU is already lacking, as the European Commission's amicus curiae submission in the proceedings before the Munich Higher Regional Court 6 U 3824/22 Kart (Exhibit VB-F 45) shows. It is necessary that the infringement notice formally indicates the nature and type of infringement in the lodging itself - a reference to external documents is not sufficient.

The declaration of willingness to take a licence was to be understood solely as a formal step at the start of the negotiations, as the European Commission also correctly pointed out that this step should not be confused with the counter-offer, which was only to be examined later.

The willingness should also not be assessed in relation to the later offers and counter-offers. The Commission makes it clear in its submission that the claimat's offer must first be examined to determine whether it is FRAND. This is also in line with the view of the Düsseldorf Regional Court in its order for reference to the CJEU, which was previously finalised due to the termination of the proceedings.

The claimant's conduct was an abuse of rights, as there was no written FRAND offer from the claimant until the statement of defence. An offer by the claimant was contained for the first time in the e-mail of 22 December 2023 (Exhibit VB-F 20 and 21). There was therefore a lack of a concrete written licence offer before the action was brought, which, according to the correct view of the European Commission, could not be made up for in the ongoing infringement proceedings. Until the orders for reference were issued in the present proceedings, no settlement licences had been made available to the defendants that would have made it possible to verify possible discrimination against the defendants. The claimant had a burden of proof in this regard, which it did not fulfil. It had initially approached the defendants with exaggerated licence claims without disclosing the basis of calculation or making a settlement with other licensees. Instead, it terminated an existing non-disclosure agreement and triggered a wave of lawsuits. The defendants were willing to take a license, as evidenced by their participation in a large number of discussions on technical and economic matters, although the claimant did not initially submit a complete license agreement. It was therefore the claimant who broke off the negotiations before the action was brought. This is evidenced by the timeline of the discussions between the parties since July 2019, which the defendants set out in a summary table in the Statement of Defense (Statement of Defense para. 333, pp. 100-107, with additional comments in the defendants' rejoinder).

The claimant had also had to choose between "major markets" (US, EP, JP) and "other Markets" (CN and others) and offered two different licence rates, a rate linked to price incentives and a standard rate. The claimant never explained the basis for its fee determination. Compared to its initial offers, the claimant then conceded in October 2021 as far as the standard rate was concerned but increased the Incentivised Compromised Rate (ICR) and presented this as a concession. The claimant shifted these parameters again in April 2022 without sufficient explanation. The claimant also built-up time pressure by reserving the right to no longer offer the ICR if no agreement was reached. Furthermore, the calculatory basis was not explained and no comparative licences were disclosed, although the claimant referred to alleged licence agreements with two competitors of the defendant that it did not name. The product groups also remained unclear. The time periods covered in the claimant's and defendant's proposals were also different and therefore not comparable.

With regard to the economic assessment of the claimant's licence amount expectations, the defendants refer to the report of their economic expert and explain it (Exhibit VB-F 18). In it, the expert comes to the conclusion that the claimant's claims are contrary to FRAND. The expert converts the indicators for a worldwide FRAND licence into indicators for the EP territory and adjusts the licence rates by taking into account the relative strength of the claimant's European patents compared to the worldwide portfolio and the relatively higher overall licence rate in the EP territory compared to other global markets such as China. The expert uses the top-down approach. First, a percentage total licence fee rate is calculated, which may be dependent on certain global regions and/or weighted according to whether the devices can operate in different standard modes (multimode weighting). The SEP holder's percentage share of the total licence fee is then calculated by calculating its share of the standard. Finally, the average sales price of the implementer's devices should be taken into account. The expert thus follows an established calculation methodology. The total licence fee rate should be assumed to be 6%, but this should be weighted with regard to China, where the vast majority of production and sales by the defendant's group of companies take place. It follows from court decisions that the customary total licence rate in China is approximately 65.5% of the rate in other markets, i.e. 65.5% of 6%. The claimant wrongly fails to make this regional adjustment. In addition, the overall rate should also be weighted with regard to the 4G and 5G devices, depending on the importance of the standard for the device (cf. KE para. 392). The expert then determines the share of the SEP holder in the total number of patent families relevant to the standard and uses the patent families declared by the SEP holder on the basis of data from IPlytics. According to this, the claimant holds approximately [...] all registered 4G SEPs and [...] all registered 3G SEPs, whereby the claimant in China, the defendant's largest market, has a smaller portfolio by [...] compared to Japan and the USA. The defendant's average wholesale price is then multiplied by the ad valorem license rates obtained in this way. By contrast, the retail price is not relevant. The relevant data used by the expert is based on standard market research data from the International Data Corporation (IDC data). The global license rate determined by the party-appointed expert differs from the rates of the claimant by a factor of [...] and the rate weighted for the EP territory is also significantly lower than the rates of the claimant.

This disproportion is also evident from a settlement with [...] and indicators from published UK High Court decisions (InterDigital v Lenovo ([2023] EWHC 539 (Pat)) and Optis v Apple ([2023] EWHC 1095 (Ch)). Also, with a view to the data collected using this. Based on the global licence rates derived from the benchmarks, the rates demanded by the applicant for 4G [...] are higher than the FRAND value and for 5G MM [...] higher than the FRAND price. This disproportion does not change significantly even if the weighting were applied to the EP territory. The same applies with regard to the flat-rate licence amounts derived from this of [...] as a FRAND corridor for a global lump sum and of [...] for the EP territory, calculated on the [...].

The initial expert opinion had then also been confirmed in a supplementary expert opinion following the submission of comparable licences by the claimant in the meantime. In this respect, reference is made to the presentation of the FRAND counterclaim and the FRAND rejoinder.

In addition to these economically derived arguments, the defendants argue in legal terms that the claimant is abusing its dominant position on the licensing market contrary to Art. 102 TFEU. The use of the 4G standard is essential in order to survive on the market. The telecommunications providers had switched off 2G and 3G networks in Europe and 4G backward compatibility was also indispensable for 5G devices due to the still insufficient network coverage of the 5G network.

The claim for a licence also follows from the claimant's ETSI FRAND declaration for the patent families of the patent in suit.

The claimant was obliged to equalise the existing information gap with the defendants and therefore to explain the content of its offer so that the implementer could examine it. The claimant did not fulfil this obligation.

The noticeability of the impairment, which the claimant describes as significant with reference to the MEO decision of the CJEU, is not relevant.

The defendant's counteroffer from the 17 July 2024 (VB-F 38), which is referred to in more detail in connection with the submission on the FRAND counterclaim (see there), is FRAND. A lump sum was offered for a worldwide licence, and this amount was deposited with security in the form of a bank guarantee (Annex VB-F 43). It was wrongly rejected by the claimant on the 2 August 2024 (Exhibit VB-F 40).

The **claimant, on the other hand, argues** that the defendants cannot invoke the compulsory licence defence under antitrust law because they are not willing to take a licence. They had never clearly declared their willingness to licence, nor had they provided information or security. The defendants' group of companies had also never sufficiently dealt with the content of the claimant's contractual offers and technical information and had deliberately delayed the technical exchange and always requested new claim charts without then dealing with them appropriately.

With reference to the case law of the Court of Justice of The Hague (judgment of 24 December 2019, 200.233.178/01 - Philips/Wiko), the claimant believes that it is not required under European law for the SEP holder to justify why it considers its offer to meet FRAND criteria - in particular, no confidential settlement licence agreements should be made available at this stage. Furthermore, it does not have to be a fully formulated offer that is ready to be signed; rather, it is sufficient if the key commercial points are included, and it can form the starting point for negotiations on further details. If the user does not agree, he is in any case entitled to react and to object and must submit a counteroffer. Information must be provided, and security must be provided as soon as the SEP holder has rejected the counteroffer of the infringer who is already using the invention. According to the case law of the CJEU, a third-party determination can only be considered by mutual agreement; in particular, the determination of content by a state court is not a third-party determination within the meaning of CJEU case law.

A sufficient infringement notice covering the patent in suit had been sent two years before the action was filed (Exhibits KAP FRAND 1 and 2). In addition, claim charts had been sent in any case for family members of the patents in suit, specifically also for the patent in suit on the 31 August 2020. The defendants had then only declared that they wished to enter into negotiations, which was, insufficient.

The first offer from the claimant dated August 4, 2020, had already been explained and was FRAND.

The claimant had rejected a lump-sum counteroffer from the defendant from the 27 August 2021 on the 26. Octobre 2021, submitting a new offer (VB-F4), without any information having been provided afterwards or security having been provided - at least once in the amount of the lump sum that the defendant itself considered to be FRAND. Moreover, the counteroffer had been delayed after the claimant’s first offer was dated 4 August 2020. The fact that the defendant did not even provide its own expert with its own figures but had him provide an expert opinion solely on the basis of the IDC data, showed that the figures could not be regarded as information. The IDC data is also not readily verifiable for the claimant because this requires the registration of a user account and the payment of considerable fees.

In their calculations, the defendants assumed that the claimant's share of the LTE standard was inaccurate and made up out of thin air. Conversely, the claimant had shown, on the basis of information from three different independent sources, that the defendants' allegedsales figures were inaccurate.

The defendants had not approached out-of-court dispute resolution attempts by insisting on their own positions but had misused the discussions solely for the purpose of delay.

The defendants wrongly took the view that the claimant's offers did not fall within the FRAND corridor. The fact that a fully formulated and written contractual offer was initially lacking was legally irrelevant - such an offer was never requested during the negotiations. Comparative licences were also never requested, and submission was also not possible due to the confidentiality clauses in the contracts.

All of the claimant's offers are FRAND, including the blanket licence offer of the 22 April 2022, which covers all markets. The claimant had also shown that there were two blanket licence holders who paid significantly higher prices than those offered by the defendants. In the absence of the submission of figures by the defendants, the claimant used the average of three independent data providers for the past use and assumed future sales over the envisaged term on the basis of the sales of the defendants predicted [...]. The defendants had deliberately misinterpreted this offer in order to delay the talks. Although certified shipments for [...] and were submitted, the figures [...] for the same year were not presented.

The applicant had submitted its offer reduced again [...] and based on newly available information significantly reduced [...] again. In order to reach an agreement, she then reduced the lump sum [...] again. Conversely, there were no significant concessions on the part of the defendant.

The fact that the claimant's offers are FRAND-compliant is also evidenced by the settlement with the claimant's third-party licenses submitted in response to the order of reference (cf. the written pleading of the claimant submitted as “supplement reply part II - non-technical part” in App_32606/2024 dated May 31 2024, which now no longer contains the total redactions contained in the original version of the document and concerns the statements there sub. II. “Comparative License Agreements” in para. 340 et seq.) The amounts there are to be “unpacked” because the license agreements take into account factors that are not applicable in the present case. The defendants were shown early on in the negotiations – albeit without naming the settlement license partners – that their counteroffers were significantly lower than the lump sums of the settlement licenses [...]. The sales figures for the third-party license partners can be found in the IDC data [...]. In addition, the claimant must determine what proportion of the 4G license fees are weighted. Furthermore, the strength of the portfolio of the licence agreement partners in relation to that of the applicant regarding 4G and the value of the 4G standard in 5G products must be taken into account. The lump sum licence amount is then set in relation to the sales figures discounted in this way in order to obtain the unit licence. The result obtained in this way should be further adjusted to serve as a basis for comparison. First of all, the unit licence rate calculated in this way should be increased by [...] % because the agreement with the defendants only has one licensor - the claimant - whereas the third-party licence agreements also have a licensor [...] in addition to the claimant. The rate would therefore have to be increased because the contractual partners would have to pay lower prices as they would save transaction costs by obtaining two licences at the same time as a result of one negotiation. If, on the other hand, the third-party licensees had had to negotiate two separate licences, their unit licence rate would have [...] correspondingly more expensive. Furthermore, the defendant's licence rate would have to be further increased compared to the third-party licensees because they had purposefully participated in the negotiations and thus saved transaction costs. In this case, an early bird discount is customary in the industry, to which the defendants unwilling to take a licence are not entitled. In addition, it should have been considered that the rates for the settlement licenses were lower in some cases because the contractual partners were particularly large and thus important for opening up new markets. This could be taken into account with a surcharge of up to [...]. Furthermore, it should be considered that the defendants had pushed for a flat-rate license. This entails a risk for both parties to the contract of undercompensation of the licensor or overpayment of the licensee. In settlement with the third-party licensees, a surcharge on the derived unit license of [...] is therefore justified.

In addition, there are other special features to consider when unpacking [...]. Furthermore, high sales volumes which, in comparison, justified a reduction in the licence rate of the third-party licence partner. With regard to the further details of the submission on the claimant’s third-party licence agreements, reference is made to the pleading supplementing the reply, Part II - non-technical part.

Moreover, the defendants had not argued that the acceptance of the claimant's allegedly FRAND-infringing licence offers was appreciable.

The defendant's counteroffers were clearly not FRAND. The multi-mode weighting of the defendant's private expert is already incorrect because it underestimates the importance of the 4G standard. This is because 5G was only introduced in 2019 and even in developed regions, 5G-capable phones did not come onto the market until 2021; in other regions, 5G would not play an economic role until the end of the licence term. Therefore, the assumption that 4G will only play the role indicated in percentage points in the tables of the expert opinion in times of 5G is incorrect.

The regional adjustment for the claimant’s portfolio made by the expert is also untenable. Furthermore, it was not shown to what extent discrimination against the defendants could be derived from this without objective reason, since they were only entitled to non-discriminatory treatment, but not to a specific licence fee. However, the defendants could not impose their desired licence structure on the claimant as long as the claimant treated them equally with its other licensees. The private expert's approach also contradicts leading court decisions by forming separate territorial licence rates for the USA, the EPC territory, Japan and China, including the rest of the world, for his FRAND rate. Moreover, according to the expert's own assumptions, the claimant’s SEP portfolio is not weaker in China than in the rest of the world, the rate is even higher than in the EP region. The reduction made for China by almost [...] is not justifiable. In addition, this approach contradicts the fact that the expert was not satisfied with the sales prices achieved by the defendant and its multi-mode weighting, while only taking into account the territorial markets in the claimant's patent strength and the defendant's alleged sales figures. The determination of the value of SEP for the standard on the basis of the price difference between products with and without mobile technology is also wrongly criticised by the defendant's expert.

The top-down method used by the defendant's expert already has weaknesses in itself, but the expert also bases his corresponding calculation steps on outdated data sets or data sets that are not sufficiently validated and are therefore rightly criticised in the industry because they neither sufficiently check the essentiality of the patents that are important for the overall standard nor take sufficient account of the change in the overall patent portfolio over time. Therefore, the methodology could at best be used to check the plausibility of a FRAND result derived on the basis of comparative licences. The defendant's expert, on the other hand, deviates from the principles established to date within the top-down methodology without sufficient justification. For example, the defendant's expert discounted the number of the claimant's LTE patent families in the numerator of his share calculation, but not the number of total LTE patent families in the denominator (Schedule 10.2 of the expert opinion) and thereby dilutes the strength of the claimant's portfolio. Moreover, it neither assesses the essentiality of the patent families nor verifies actual use. Instead, it relies solely on the number of declared patents and incorrectly applies the Chinese licence rate to sales outside China, disregarding the fact that sales in other countries also require separate licences.

The defendant's previous counteroffers were also not FRAND.

<u>FRAND counterclaim</u>

By separate written pleading dated 21 December 2023, the defendants filed a "counterclaim for determination of a FRAND royalty for the EP territory" in addition to their statement of defence and the counterclaim for a declaration of invalidity of the patent in suit.

The defendants argue that the UPCA has jurisdiction under Article 32(1)(a) UPCA for this counterclaim concerning a licence. The aim of the counterclaim is a FRAND licence between the parties in respect of the claimant's portfolio of standard-essential European patents for 3G and 4G-capable mobile devices and the determination of the licence rate to be paid for them. The licence rate thus determined for the EP territory should then also apply to the USA and Japan. For the rest of the world, the defendants decided to have the FRAND rate determined by a Chinese court, where the majority of manufacturing and sales take place. This regional division is also reflected in the parties' previous negotiation history. The request to set a FRAND rate is also justified by the timing of the proceedings, in particular in view of the parallel proceedings pending in the UK to set a FRAND rate with Xiaomi.

The defendants have an enforceable claim as beneficiaries to the conclusion of a FRAND licence on the basis of the claimant's ETSI declaration pursuant to Art. 6.1 ETSI IPR Policy, which also covers the patent in suit, and the French law applicable under it.

The licence rate offered by the claimant does not comply with FRAND conditions, as the expert opinion of the defendant's private expert shows in detail. After the establishment of the secrecy regime in the present proceedings, the defendants submitted Comparable licenses (Exhibits VB-F 19 and 20) used in the private expert opinion (App_15307/2024) by written pleading dated 21 March 2024, without the need for an initially requested submission order to substantiate their submission.

Among other things, the judge-rapporteur provided guidance on the FRAND counterclaim in the orders of 31 January 2024 (ORD_5505/2024) and 27 June 2024 (ORD_38680/2024).

The defendants have made further submissions in addition to their submissions in the counterclaim and in response to the questions raised by the judge-rapporteur in his orders of 31 January 2024 and 27 June 2024. In particular, the defendants make it clear that they wish to be bound by a FRAND provision of the panel. For this reason, the defendants expressly formulated applications aimed at performance and pursued applications aimed at a declaratory judgement in the alternative. This is expressed in particular in the main claim under I., which seeks to oblige the claimant to accept the defendant's counteroffer of the 17 July 2024 (VB-FC 14), which the claimant on 2 August 2024 rejected (VB-FC 18) and which is set out in detail in the written pleading. A bank guarantee was provided to cover the amounts owed (VB-FC 19), which is now being serviced. Information on acts of use had been provided on the basis of the IDC data already available to the claimant, which were analysed in the expert reports (VB-FC 11 and 13). This counteroffer was essentially based on the contractual terms and conditions from the claimant's draft contract; modifications were only made in three points, which is why the remaining contractual terms and conditions should, in the defendant's view, be beyond dispute between the parties. The modifications would be that [...The defendants had a claim to acceptance of this offer, which was pursued with the main claim I.1 directed at performance. This is intended to oblige the claimant to accept the defendant's offer. The claimant cannot counter this by arguing that FRAND is a corridor and therefore there can be no claim to the conclusion of exactly one specific contractual offer.

Conversely, the defendants also made a binding commitment to accept an offer from the claimant (VB-FC 20) if a decision is made in accordance with applications I.2 or .3. In particular, application I.3 takes into account the fact that the defendants have brought another proceeding for the determination of the FRAND rate for the rest of the world (in addition to the determinations asserted here for the EP states, the USA and Japan) before the Beijing Intellectual Property Court in China. The defendants also undertook to accept the further (partial) licence rate set there.

Such a division of the licence amount provisions is also appropriate. It is a worldwide licence in which only the determination of the amount is entrusted to the respective courts closest to the subject matter - once to the UPC for the EP territory, Japan and the USA, once to the court in Beijing for the rest of the world. In the negotiations between the parties, a distinction was also made by mutual agreement between prices region 1 and 2.

According to the defendant, the FRAND counterclaim was brought independently of the infringement action. It is not dependent on the patent in suit being infringed and legally valid. Moreover, the subject matter of the counterclaim goes far beyond the subject matter of the patent infringement action because the counterclaim is directed to a global portfolio licence. There is no dispute between the parties that the UPC has jurisdiction for the FRAND counterclaim; moreover, the claimant has not raised a preliminary objection under Rule 19 RoP. The claimant wrongly accuses the defendants of unwillingness to license, inadequately analyses the defendants' expert opinion and does not make the manner of "unpacking" the submitted Comparable Licences sufficiently transparent. Conversely, the defendant's further expert opinion, which now analyses the submitted Comparable licenses, confirms that the claimant's offer is outside the FRAND corridor.

The conclusions drawn by the defendant's private expert would also be substantiated after the claimant submitted the three Comparable licences. The conclusions drawn by the defendant's private expert were also substantiated by the claimant after submission of the three comparative licence agreements. The claimant wrongly considers the contract with [...] not to be a suitable comparative figure; this applies rather to the claimant’s contract with [...] because the defendants sell considerably higher quantities than [...]. The unit licence fee of the defendant's private expert is FRAND, as is the flat-rate licence fee presented by him, which, as usual, covers a past period of [...] years. The defendant's expert unpacked the claimant's comparison licenses appropriately.

The expert unpacked the license with [...] appropriate. In contrast, the distribution of the claimant with [. . .] cannot be justified economically. To calculate the unit license rate, the IDC data is used, and constant sales figures are assumed by means of an ex-ante projection. A [. . .] % discount for future payments and a [...] % discount for lump sum payments is then applied. An ad valorem rate is then derived, taking into account the weighted sales of [. . .] and a reference is made to the average sales price (ASP) of the defendant's equipment.

The unpacking of [...] is carried out according to the same principles whereby no account is taken of the fact that [...].

The defendant's unpacking of the claimant, on the other hand, was not justified. The lump sums for [...] and [...] licenses were reduced by incomprehensible factors. The WIFI share of the [...] license and [...] as well as the discount of [...] % due to the importance of the license due to its scope are not explained. Without a breakdown of sales figures and sales forecasts, the claimant's figures are not comprehensible; they also deviate considerably from the assumptions of the defendant's private expert, without the deviation being explainable so far.

Insofar as the unpacking by the claimant is at all comprehensible, it is riddled with errors. For example, the claimant did not derive a value for 4G-MM devices and 5G-MM devices, although the value of 4G in the devices is different. Furthermore, the extent to which the different 4G functionalities are implemented in the devices is not taken into account - the defendant's ad valorem approach is preferable here. In addition, the claimant inflates the unit licence by not including the value of the past management, which is significant in the respective licence rate. Furthermore, it is incorrect that the [...] licence holders are granted discounts from which the defendants should not benefit. In particular, it is not explained that and why the settlement licence agreement partners are actually entitled to these discounts such as early bird discount, lump sum or dual licensing or because of the leverage and quantities. It is disproportionate to compensate for transaction costs saved due to the conclusion of two licences [...] a discount of [...]. The approach of the early-bird discounts is unjustified, and the consideration of the fact that [...] was a licensee does not justify a discount either. Also, the risk discount of [...]% for the lump sum is unjustifiably high. Moreover, it is considered in the license [...]. Granting a quantity discount to [...] is in any case FRAND-contrary and also disproportionate to the contract with [...] in view of the figures there. Also, a [...] leverage discount to [...] is not justified.

The claimant's legal views on the ETSI FRAND declaration are misconceived, as this gives rise to an enforceable claim to a FRAND licence and direct performance. The defendants are also favoured as parties willing to obtain a licence.

The claimant's applications in its response to the FRAND counterclaim are inadmissible.

The judge-rapporteur has received a letter from the UK High Court, just. Richard Meade, which has reached the Local Division and informs about the planned proceedings before the High Court (ORD_44583/2024).

Finally, the defendants pursued the counterclaim for determination of a FRAND fee filed together with the statement of defence and the statement of defence with the amended applications referred to above. The amended version of the application was admitted by the judge-rapporteur. They have stated that they will also continue to pursue the originally filed version of the application if the amended applications cannot be granted. These are therefore reproduced as a further group of auxiliary motions.

The claimant acknowledges that a licence seeker willing to obtain a licence is in principle entitled to a FRAND licence relating to the 3G and 4G standard. This can be derived from Art. 102 TFEU or from the ETSI declaration. However, the defendants are not willing to grant a licence. Therefore, there was already no need for legal protection for the FRAND counterclaim.

It was primarily incumbent on the defendants to take all necessary steps out of court to acquire a licence - recourse to the courts was not permissible beforehand. It follows from the ETSI IPR Policy that there is an obligation to enter into bona fide negotiations on the conclusion of a FRAND licence. This was not the case for the defendants. Nothing else follows from Art. 102 TFEU either. The lack of willingness to take a licence was already evident from the fact that they had neither provided information nor security.

The licence justifying the unlawful acts of use is solely a worldwide portfolio licence, and the defendant's argumentation in this regard is inherently contradictory. The UPC is not only competent with regard to counterclaimed, already existing licences, but also for counterclaims directed at licences yet to be granted. The counterclaim can only be directed to a licence to the respective patent in suit, but insofar as the counterclaim asserts licences to the portfolio for the entire territory of the EPC, the counterclaim is in any case partially inadmissible.

The defendants had no claim to the determination of a complete licence agreement by the court, nor to a specific FRAND fee, because FRAND is a corridor - therefore no such concretely determinable claim to a specific form of performance follows from the ETSI declaration. In any case, the ETSI declaration is not a binding offer, but only a contractual promise - the contract, however, is a separate legal transaction. The EPG is also not a third party appealing to determine the licence fees within the meaning of the case law of the CJEU in Huawei v. ZTE (para. 68).

The applications initially made in the counterclaim were also too vague, unlike the applications made by the claimant under III - V in the present counterclaim.

In its rejoinder to the FRAND counterclaim, the claimant also complains that the defendants did not introduce their submission on their private expert opinions into the proceedings in written pleadings but referred to the party expert opinion in an insufficient manner, which was inadequate.

The present proceedings for the determination of a FRAND licence are now in conflict with FRAND determination proceedings initiated in Milan, Italy, before the national court by a distribution partner of the defendant exclusively responsible for Italy.

The defendant's licence offer of the 17 July 2024 is not FRAND for the simple reason that it proposes the allocation of the FRAND provision between different courts, which is not FRAND-compliant. The determination of a worldwide FRAND rate is appropriate.

The further offers made by the Defendant are not FRAND-compliant because they do not take into account the claimant's [...] comparative license and thus incorrectly define the FRAND corridor.

The security provided by the defendant was not adequate and was provided approximately three years too late, after the claimant had already received the counteroffer from the defendant 1. on the 27 August 2021 that had been rejected. The amount of the security offered was also too low and linked to conditions that would be unreasonable in the event of insolvency, because it is neither possible for an administrator to conclude a licence agreement with certainty nor is a legally binding court-ordered FRAND rate guaranteed in the event of insolvency.

Information is still not provided; the IDC data is insufficient.

The defendant's expert opinion was methodologically flawed, and the unit licence demanded by the claimant instead of an ad valorem licence was FRAND-compliant. In the parallel proceedings in the UK, the defendants themselves had preferred a unit licence. The party expert's allegation that the defendants would have to pay more for a lower LTE implementation in their devices than the parties to the settlement licence agreement is incorrect - there is also no causal relationship between the LTE UE category and the final price. Therefore, this does not play a price-setting role in free negotiations on the market. Insofar as the party expert refers to the decline in average sales prices for the defendant's 4G telephones, it has not been submitted that this results in an unreasonable licence burden for the defendant's products. It is also incorrect that the defendant's expert witness predicted sales of the claimant's settlement licence agreement partners up to [...] years prior to the expiry of the licence before the conclusion of the contract, but the defendants specifically refused to conclude licenses for a comparable past period. This would unjustifiably favour the defendants. It would also be unfair if the license fees to be paid by the defendants did not take into account – if one were to follow their expert – that in the past years, when 5G was not yet available, the payments for the utility value of 4G technology would have been higher. Therefore, the retrospective approach would give the defendants an unjustified reward for delaying the license. When considering past sales, the duration of the negotiations could also be considered in accordance with antitrust law. The recent criticism by the defendant's expert witness of the unpacking of the claimant's claims is unfounded.

The criticism of the allocation and weighting of the portfolios [...] is also unjustified. It is incorrect that [...] it is a subsidiary of the claimant. Rather, it is [...]. In addition, the defendants had been offered dual licensing [...], which they had rejected.

The defendant's expert does not derive the licence rates applied by him globally but applies them globally in violation of FRAND. In addition, the defendant's expert considers the allegedly lower value of 3G/4G technology in the meantime several times by reflecting this in the average sales price of the phones, in the total load of phones with licences for SEPs and in the number of SEPs to be included in the total licence load.

The defendant's Comparable licences were already irrelevant and, moreover, they were used incorrectly by the defendant's expert. Regarding the further details of the facts of the case and the matter in dispute, reference is made to the written pleadings and exhibits submitted.

<u>Reasons for the decision</u>

<u>Jurisdiction</u>

(...) The Local Division Mannheim is also competent for the FRAND counterclaim (cf. below).

(...)

<u>Legal consequences of patent infringement</u>

(...)

In the present case, there are no apparent reasons to refrain from exercising the court's discretion ("may grant") to issue a final injunction. Rather, <u>proportionality</u> aspects (Art. 42 UPCA and Art. 3(2) Directive 2004/48/EC of the European Parliament and of the Council of

29 April 2004 on the enforcement of intellectual property rights) have already been comprehensively taken into account in the context of the consideration of the examined antitrust compulsory licence objection by applying the balanced negotiation programme of the European Court of Justice (cf. below). Further circumstances that would appear to make it necessary from a proportionality perspective not to issue an injunction in the present case have not been sufficiently demonstrated. It also had to be taken into account that the defendants, according to their own submission, do not see their main business in the markets of the UPCA contracting states anyway, as is also reflected in the fact that the licence share included in their blanket licence offer for the UPCA states is only [...]. Thus, according to their own submission, the injunction does not prevent them from operating in the defendant's core markets. Nor can the generalised argument that the claimant does not manufacture itself and is therefore not in direct product competition with the defendants prevail. Rather, specific facts must be presented in this respect that justify a different decision because they are not already reflected in the negotiation programme of the European Court of Justice's decision. This has not been done in the present case. The defendant's submission does not indicate any such further aspects.

Contrary to the view of the UK Court of Appeal [2024] EWCA Civ 1143 para. 79, standard-essential patents are also not to be regarded as patents which have solely a monetary assignment content, at least in the legal area of the European Union. On the contrary, according to the case law of the European Court of Justice - which is admittedly no longer relevant for the courts of the United Kingdom - the holder of an SEP can also exercise the prohibition rights to which it is entitled on the basis of the patent, CJEU, Huawei v. ZTE, ECLI:EU:C:2015:477, para. 46:

> "It is settled case law that the exercise of an exclusive right attached to an intellectual property right, in this case the right to bring an infringement action, is one of the prerogatives of the owner of an intellectual property right, so that it cannot in itself constitute an abuse of a dominant position, even if it emanates from an undertaking in a dominant position."

This is incompatible with an understanding of the SEP as a legal title that does not include the right to enforce an injunction and that serves solely to enforce higher licence claims. Such a view is incompatible with European law, as Article 11 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights as a standard in the European judicial area already shows. This also follows from the decision of the CJEU (ibid. para. 57-59 and para. 71), which states that it does not constitute an abuse of a dominant market position to bring an action for an injunction against an infringement as long as certain steps have been taken prior to such a complaint. Such an understanding would also be incompatible with the minimum constitutional guarantees of the Federal Republic of Germany as one of the contracting states invoked in the present case (Article 14 (1) of the Basic Law of the Federal Republic of Germany) as well as with Article 17 (2) of the Charter of Fundamental Rights of the European Union.

Nor is any other restriction of the injunction appropriate in view of the FRAND rate determination taking place in the UK in a different dispute. The decision of the UK Court of Appeal itself states that the Oppo group of companies is not affected by the *declaratory judgement* (ibid. para. 2). It can therefore be left open in the present dispute whether the finding made - in the words of the UK Court of Appeal - is *de facto* an "anti-suit relief by the back door" (ibid. para. 67) that is unacceptable in the international treaty law context of TRIPs (cf. Art. 1.1, 28.1 and .2, 41.1, 44.1 TRIPS, which must be observed in this context under international law).

(...)

The decision to provide the requested information is based on Art. 25 (a), Art. 67 (1) UPCA. The information is necessary to calculate damages and to assess which damages calculation methodology should be used within the meaning of Art. 68 UPCA. The defendants cannot be agreed that the owner of an SEP would be limited from the outset to calculating damages against an infringer only by way of licence analogy. On the contrary, the European Court of Justice has ruled that past-related claims are not affected by the antitrust context (CJEU Huawei v. ZTE ECLI:EU:C:2015:477, operative part 2). In this respect, it has already been decided in national case law that the scope of the claim for damages is only limited to the amount resulting from a licence analogy if the infringer can counter this with its own claim for damages which is directed at the non-fulfilment of its claim to conclude a FRAND licence agreement and as a result of which it can demand to be placed in the same position as it would be in under such an agreement (cf. German Federal Court of Justice GRUR 2020, 961 para. 109 et seq. - FRAND-Einwand, GRUR 2021, 565 para. 137 - FRAND-Einwand II). The information on the origin and distribution channels serves to clarify the facts of the infringement and the possibility of claiming further co-responsible parties and being able to effectively stop further acts of infringement. Again, no rigid time period for providing the information was to be set (cf. above). In response to the application, it was also necessary to order the defendants to provide the claimant with the information in a list structured for each month of a calendar year and by patent infringing products in electronic form, which can be analysed with the aid of a computer. This serves the efficient enforcement of the right to information and takes account of the fact that an electronic statement that can be analysed with the aid of a computer is in any case the standard in a business-like accounting system. However, there was no time period set for the enforcement of this obligation.

(...)

Pursuant to Art. 82(2) UPCA, R. 118.8 S.2 RoP, the court may make any order or measure subject to the provision of security, which it must set. The Local Division is entitled to exercise its discretion when ordering the provision of security, whereby the claimant's interest in the effective enforcement of its IP right must be weighed against the interest in the effective enforcement of possible claims for damages in the event that the judgement is subsequently set aside. In the present case, the defendants rightly argue that the enforcement of such an order will prevent their core business, namely the sale of smartphones, in the countries concerned. This would not only result in the loss of all current sales, but also future business damage. Potential end customers and existing commercial customers would switch to other manufacturers and possibly remain there permanently. This is accompanied by specific risks of increased and permanent market losses. These fears are exacerbated by the special features of smartphone sales. Smartphones are offered and distributed to a considerable extent via commercial resellers and via national telephone network providers, whereby the latter often work with long-term supply contracts. If the defendants were forced to discontinue deliveries to the network providers despite existing contracts, this would possibly lead to a permanent exclusion from the network providers' programme. This would result in the loss of an important distribution channel, and it would be difficult to predict whether and when it could be reopened. The defendants leave the amount of the security deposit to the discretion of the court. In the present case in view of the parties' recently opposing blanket licence offers, setting the security deposit at 10 million € appeared necessary, but also sufficient. It was established that the defendants had only allocated less than [...] of the total amount to the business in all EPC states [...]. Based on the claimant's last lump sum offer [...], was to be set and thus just under [...]. If, in addition, costs for re-entering the market are set as further damages to be covered, an amount of 10 million € appears sufficient. It should be noted that the present judgement does not cover all UPCA states, but only the UPCA contracting states listed in the judgement. Therefore, the security amount is sufficient without any further submission by the defendants, who expressly left the decision to the discretion of the court without providing any information. The panel further exercises its discretion to extend the group of credit institutions eligible to issue the bank guarantee to credit institutions authorised to do business in the European Union in view of the fundamental freedoms of the European Union, contrary to the defendants' application. With regard to the equally enforceable claims for information/invoicing and provisional damages, an order for the provision of security as a precondition for enforcement was not to be ordered in view of the lack of indications that the claimant would not be able to financially compensate for the resulting damages if the first instance decision was not upheld.

(...)

FRAND objection

The above legal consequences are also not precluded by a FRAND objection based on Art. 102 TFEU. While the claimant acted in accordance with the CJEU's programme of obligations addressed to it as SEP holder, the defendants did not participate in the negotiations for a FRAND-compliant licence in accordance with the negotiation programme developed by the European Court of Justice in Case C-170/13 - Huawei v. ZTE, ECLI:EU:C:2015:477, in a targeted manner and in accordance with the practices of a party seriously interested in taking a licence.

The Unified Patent Court applies Union law in its entirety and respects its primacy, Art. 20 UPCA. Union law is the primary source of law to be applied by the Unified Patent Court, Art. 24(1)(a) UPCA. In questions concerning the correct interpretation of European law, the Court of First Instance may refer questions relevant to the decision to the CJEU, Art. 267 TFEU. The decisions of the CJEU are binding on the Unified Patent Court, Art. 21 UPCA.

However, the present case - especially for the Court of First Instance - does not give rise to a referral to the CJEU, even against the background of the amicus curiae brief of the European

Commission, which the Commission lodged with the Higher Regional Court of Munich on 15 April 2024 under the number 020078-24 MLO / DLF and with which the European Commission "encourages" the court there to refer the case to the CJEU. Rather, the panel is of the opinion that the only questions that arise in the present individual case are those that can be resolved by applying the balanced principles developed by the Court of Justice, which allow the courts called upon to apply the law in individual cases to make an appropriate assessment of the case in question. At the same time, the opinion of the European Commission - which is admittedly not binding on the constitutionally independent courts - can be taken into account. The document has also been introduced in the present proceedings and was discussed intensively with the parties during the oral hearing.

In the Huawei v. ZTE decision, the CJEU established a negotiation programme that has since been binding on the courts of the Member States - unlike the courts of the United Kingdom. Since then, the courts of the Member States have applied this negotiation programme and further filled in its details on the basis of the respective cases submitted for decision (cf. Dutch Court of Justice The Hague, case number: 200.219.487/01, of 2 July 2019 - Philips v. Wiko; the same case number: 200.233.166/01, judgment of 24 December 2019 - Philips v. ASUS; German Federal Court of Justice GRUR 2020, 961 - FRAND-Einwand, GRUR 2021, 565 - FRAND-Einwand II). The panel is of the opinion that the CJEU's negotiation programme is not solely focused on determining the respective licensing conditions, which would be stripped of an assessment of the respective conduct of the parties in the context of the negotiations. Rather, the central concern of the decision is to establish a negotiation programme with reciprocal obligations that also serves to assess the primary EU law question of whether the enforcement of the prohibition and recall rights from the patent is subject to antitrust restrictions. The determination of a FRAND licence rate, if applicable, is only one component of this programme. Accordingly, the present case is the first time that a Local Division of the Unified Patent Court has been called upon to rule as a common court of the Member States. This gives rise to the following comments.

In its leading decision Huawei v. ZTE, the European Court of Justice set out a negotiation programme that shows the parties their respective obligations in the context of negotiations for a licence to a standard essential patent and enables the courts to assess the conduct of the parties on the way to a licence. According to settled case law of the CJEU (loc. cit. para.

46), the exercise of an exclusive right associated with an intellectual property right, in this case the right to bring an action for infringement or recall, is one of the prerogatives of the holder of an intellectual property right, so that it cannot in itself constitute an abuse of a dominant position, even if it emanates from an undertaking in a dominant position. However, the exercise by the holder of an exclusive right associated with an intellectual property right may, in exceptional circumstances, constitute abusive behaviour within the meaning of Art. 102 TFEU (ibid. para. 47). It should be recalled - particularly in light of the decision of the UK Court of Appeal - that the CJEU has stated that account must be taken of the need to safeguard intellectual property rights, which is one of the purposes of Directive 2004/48. In accordance with Article 17(2) of the Charter, the Directive provides for a number of remedies intended to ensure a high level of protection of intellectual property in the internal market and the right to effective judicial protection guaranteed by Article 47 of the Charter, which comprises several elements, including the right of access to justice (CJEU loc. cit. para. 57). This requirement of a high level of protection of intellectual property rights implies that their owner cannot, in principle, be deprived of the possibility of taking legal action to ensure that his exclusive rights are effectively respected and that the user of those rights, if he is not their owner, must in principle obtain a licence before any use (CJEU loc. cit. para. 58).

The negotiation programme developed by the CJEU serves these principles. An assessment of the conditions of a FRAND licence that ignores the steps established by the CJEU in the sense of a purely economic determination of the licence amount without taking into account the relevant conduct of the parties involved in the negotiations can therefore not stand up under European law and would violate mandatory law in the Member States.

According to the CJEU's decision, the SEP holder must first inform the patent user of the patent infringement of which he is accused before bringing an action for an injunction. In doing so, he must designate the SEP in question and indicate how it is alleged to have been infringed (CJEU loc. cit. para. 61). It had already become established in the cited case law of national courts that the sending of claim charts is sufficient for these purposes in any case (cf. for example from national case law Court of The Hague, case number 200.233.166/01 of 24 December 2019, para 4.157 et seqq. - Philips vs ASUS; Higher Regional Court Karlsruhe, judgement of 9 December 2020, 6 U 103/19 - Mobilstation; Regional Court Mannheim, judgement of 19 August 2016, 7 OD 2016, para 4.157 et seqq. 19.08.2016, 7 O 19/16 - Secondary station; judgement v. 29.01.2016, 7 O 66/15 - control channel; LG Düsseldorf, judgement v. 11.07.2018, 4c O 81/17 para. 108). Insofar as the European Commission takes the view in its opinion in this context that this reference must be made in the letter itself (amicus curiae letter para. 65), such a formalistic understanding cannot be accepted. It is true that a reference to a generalised website of the SEP holder, which does not contain any easily accessible information on the specific patent in suit, may be too little to be regarded as sufficient notice. For good reason, however, the CJEU judgement does not set any strict formal requirements at this point but leaves it up to the courts of the Member States to assess each individual case. Particularly in the case of an allegation of infringement of a large number of standard-relevant patents, a notice in the formalised form deemed necessary by the Commission can lead to confusion rather than the desired transparency.

In the present case, it was sufficient to make the defendants aware that they were also accused of infringement of patents valid in the EU legal area and thus to encourage them to deal with the further steps of the CJEU's balanced negotiation programme that the claimant - in addition to a large number of other claim charts requested by the defendants - also sent a claim chart concerning the Chinese family member of the patent family, which also includes the patent in suit at hand. The claim chart contained an explicit reference to the patent in suit. If the defendants argued at the oral hearing that the Chinese patent had a broader scope of protection and therefore the relevance of the patent in suit for the standard could not be assessed without further effort and explanation, this behaviour provides an example of how an implementer seriously interested in a FRAND licence should not behave. Such an implementer would have raised a corresponding complaint at least once if it had actually had problems of understanding and asked for a more in-depth discussion. The defendants, on the other hand, did not raise any such objection, but only repeatedly requested further claim charts for other patent families, only to then withdraw without further discussion of all the requested material to the effect that the sources they consulted would in any case provide generally valid findings as to what proportion of declared patents is actually generally essential for the standard (cf. in detail below). It does not correspond to the practices of business transactions, to which the CJEU refers (loc. cit. para. 65, 67), to withdraw to formalistic objections, as the defendants do in such a situation, and to deduce from this that no further obligations arise for one's own side with regard to targeted negotiations towards a FRAND licence. The infringement notice was sufficient.

The patent user must then express its intention to conclude a licence agreement on FRAND terms in a further step - also before filing an action (CJEU loc. cit. para. 63). The significance of this step in the CJEU's negotiation programme is assessed differently, at least with regard to the weighting of this step in the negotiation programme. The Federal Court of Justice explained this in para. 83 of its FRAND decision (BGH GRUR 2020, 961 para. 83):

> "Therefore, after the first indication, it is not sufficient to establish further obligations on the part of the dominant patent proprietor if the infringer then merely indicates its willingness to consider concluding a licence agreement or to enter into negotiations as to whether and under what conditions it might consider concluding an agreement (cf. Opinion of Advocate General Wathelet of 20 November 2014 - C-170/13 para. 50). Rather, the infringer must clearly and unambiguously declare its willingness to conclude a licence agreement with the patent proprietor on reasonable and non-discriminatory terms and must also subsequently participate in the licence agreement negotiations in a targeted manner. The High Court of England and Wales (J. Birss) has aptly expressed this by stating that "a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND" (EWHC, judgment of 5 April 2017, [2017] EWHC 711 (Pat) para. 708 - Unwired Planet v Huawei)."

According to the European Commission, this criterion, known as "willingness to licence", should be assessed solely "on the basis of the content and circumstances of the declaration, but not on the basis of subsequent conduct during any negotiations" (amicus curiae letter para. 7, 75, 80 et seq.). The first two steps of the framework programme preceded the start of the negotiations, in particular the SEP holder's offer. Therefore, the assessment of their existence could not be linked to specific licence conditions or licence fees (ibid. para. 82). The patent user's willingness to licence could not be determined on the basis of its subsequent conduct during the negotiations; the second step was merely a formal step as a prelude to negotiations. In particular, this step must not be confused with the subsequent steps, the offer of the SEP holder and the counteroffer of the patent user (ibid. para. 84 et seq.).

The European Commission agrees that the initial declaration of willingness to take a licence is the prelude to further negotiations. It must not be limited to mere lip service but must be serious in the sense of the statements of the Federal Court of Justice. However, consideration of the respective declaration alone does not generally lead to any further examination of whether a patent user is seriously interested in taking a licence. A corresponding declaration, even if it is based on the wording of the cited UK or BGH decision or adopts it in a clichéd, identical wording, is not in itself a suitable indicator for assessing whether the respective user is actually serious about his declaration. For this purpose, the respective behaviour must always be considered in an overall view. However, the Commission correctly addresses the fact that the examination of FRAND-compliant behaviour must not focus solely on the willingness to licence in the sense of an analysis of the user's behaviour alone. It is therefore incorrect to assess the "willingness to licence" on the basis of the patent user's counteroffer by using this again as an indication for or against the seriousness of the user's behaviour without first considering the SEP holder's offer. With such an understanding, there is a considerable risk that the necessary examination of the offer of the SEP holder bound by antitrust law will not be carried out at all or will be cursory at best. This would not do justice to the CJEU's decision. It is precisely this point that is criticised by the European Commission in the context of the decision of the Regional Court of Munich I that it analysed. Rather, the SEP holder's offer must always be checked for its FRAND compliance if there is sufficient initial willingness to take a licence. This step must not be omitted or only carried out very cursorily. In its referral in the Huawei v ZTE case, the Düsseldorf Regional Court had already formulated the question of whether Art. 102 TFEU places special temporal and/or qualitative requirements on the willingness to negotiate and stated in the referral that it could not be satisfactory to use the term "willingness to negotiate" as a criterion for such abuse, as this term leaves room for many interpretations (CJEU loc. cit. para. 38). In this sense, an examination that intends to comply with the case law of the CJEU must not be content with merely analysing the conduct of the patent user for indications that are then singled out in order to criticise an insufficient willingness to license without seriously examining the SEP holder's offer. Such an approach is already contradicted by the fact that the CJEU deliberately did not want to leave it at the so-called Orange Book case law of the Federal Court of Justice. On the contrary, Advocate General Wathelet stated in his Opinion (ECLI:EU:C:2014:2391 para. 51 f.):

> "In my opinion, the simple transfer of the judgement Orange-Book-Standard of the Federal Court of Justice or the press release to the present case would result in a situation in which the SEP holder, the user of the teaching of the patent or the consumer would receive either too much or too little protection. A middle way must therefore be found."

In this sense, the CJEU initially declared the SEP holder to be obliged to submit a FRAND offer:

> "As the Advocate General stated in point 86 of his Opinion, if the holder of an SEP has made a commitment to the standardisation organisation to grant licences on FRAND terms, he can be expected to make such an offer. Moreover, if neither a standard

> licence agreement nor licence agreements already concluded with other competitors have been published, the SEP holder is in a better position to verify whether its offer complies with the condition of equal treatment than the alleged infringer."

The application of the Orange Book case law of the German Federal Court of Justice (BGH GRUR 2009, 694) should not continue. According to this case law, the patent user must first make an unconditional offer to conclude a licence agreement, which the patent proprietor may not reject without violating its obligations under antitrust law not to unreasonably hinder or discriminate against the licence seeker. Consequently, an interpretation of FRAND case law in such a way that would de facto lead to the application of Orange Book case law is also incorrect. In this respect, the Commission must be agreed that the sequence of steps in the CJEU's negotiation programme must not be mixed up in such a way that the examination of the SEP holder's offer is pushed too far into the background.

To the extent that the European Commission's view that the willingness to licence to be expressed prior to filing an action forms the starting point for further negotiations can be accepted, it has not yet been clarified to what extent the further conduct during the negotiations is to be included in the assessment. From the point of view of the panel, the seriousness of the initial declaration of willingness to take a licence, understood in this narrower sense, must be assessed on the basis of the immediate circumstances accompanying it. However, this does not mean that the further behaviour of both parties during the subsequent negotiations should be excluded from the assessment. Rather, both the SEP holder and the implementer must behave in accordance with "normal business practice" during the negotiations and work in good faith towards the conclusion of a licence agreement. Their conduct must be assessed according to whether it takes sufficient account of the fundamental objective of the CJEU's negotiation programme to achieve the timely conclusion of a FRAND licence agreement on a primarily private-autonomous basis in targeted negotiations. This requirement results in obligations to be concretised for the individual case at each stage of the negotiations. Nor is it in line with the CJEU's negotiation programme to examine the willingness of the implementer to take a licence alone, without sufficiently examining the SEP holder's offer, just as it would be insufficient to consider only the opposing offers and counteroffers after affirming the first two steps of the examination and to ignore the further conduct of the parties. This is because whether a (counter)offer meets FRAND criteria can only be assessed on the basis of the specific negotiations and the behaviour of the parties. Just as the implementer cannot make a favourable offer without sufficient knowledge of any licensing conditions granted to third parties, the SEP holder cannot make a favourable offer if the implementer deliberately leaves him in the dark about the extent of his acts of use and his economic framework conditions, such as the sales prices demanded by him on the market, and if he does not provide any information on the economic framework conditions of his actions, which conversely must be sufficiently plausible for the SEP holder - depending on the progress of the negotiations. The depth of the court's examination of the claimant’s conduct is largely based on which points the licence seeker has objected to vis-à-vis the complainant in the negotiation process and, conversely, which information he has made available to the holder in order to be able to make him, the user, an offer tailored to his circumstances. Objections raised only in the course of the proceedings before the court against the background of the threatened injunction alone are not sufficient. With the exception of extreme constellations, the patent user always has the obligation to react to an offer made by the SEP holder and at least to raise his objections against it and request improvements (cf. from German case law BGH GRUR 2021, 585 para. 71 - FRAND- Einwand II; OLG Karlsruhe GRUR 2022, 1145 para. 152 et seq. - Steuerkanalsignalisierung II.).

This interplay of mutual obligations in the negotiations is again exemplified by the present case. The defendants refused to provide the claimant with sufficient information about their acts of use. Even after rejecting their counteroffer, they refused to provide the claimant with information on their actual acts of use. Rather, the defendants referred the claimant solely to data from economic data services of the provider IDC, without making these plausible at least for exemplary meaningful periods of time by providing information on their own genuine acts of use. In this respect, the defendants cannot expect the claimant to make an offer that fully reflects the circumstances affecting them if they are not willing to make these circumstances accessible. Insofar as the defendant’s object in this context that the claimant, for its part, also used IDC data to demonstrate the comparability of the conditions offered to the defendants on the basis of third-party licence agreements, the defendants misjudge two things: Firstly, the third-party licence agreement partners have a legitimate interest in confidentiality insofar as their specific transactions are concerned. In any case, the SEP holder is therefore not obliged to make such figures directly accessible to a negotiating partner if it is still open whether the latter is seriously negotiating the conclusion of a FRAND licence. The implementer cannot demand more disclosure from the SEP holder than it is prepared to disclose itself. In addition, the SEP holder is not in injunction of this information in the case of blanket licence agreements because there are no reporting obligations regarding acts of use to be remunerated in certain time periods. Secondly, the defendants fail to recognise that, as the patent infringer using the technology (cf. above), who, unlike the claimant's settlement licensees, drags out the negotiations over years, they cannot demand to be treated equally in every respect with the SEP holder's cooperative licence agreement partners, who resolve any differences in a short time and purposefully participate in negotiations and bring them to a conclusion. Therefore, it may well be unobjectionable under antitrust law if an SEP holder makes do with data from commercial services for the negotiations if the prospective licence holder in question works constructively and swiftly towards the conclusion of such a licence. On the other hand, the CJEU has also clearly stated that the patent user using the technology unlawfully must provide information and security at the latest after its counteroffer has been rejected. The claimant's argument can be accepted that the information serves the purpose of assessing whether the security offered sufficiently covers the risk of insolvency of the patent infringer. In this context, the SEP holder, who himself has submitted an offer that is to be assessed as FRAND-compliant under the respective circumstances of the negotiations, does not have to be satisfied with data from economic services vis-à-vis a patent infringer who drags out the negotiations.

The examination of the SEP holder's offer must be based on the above statements. The panel is of the opinion that the SEP holder must not only state the mere mathematical factors with which he calculates the licence fee when submitting his offer. Rather, the SEP holder is required to plausibilise, in the manner possible in the current state of negotiations, why it believes that the offer it submits can be considered FRAND-compliant. This follows from the CJEU's statements in para. 64 of its decision. The SEP holder has the better knowledge of its licensing practice and should communicate this to the patent user so that the latter can react in good faith. This also corresponds to the understanding of the judgement developed by the Commission, which states this in para. 50 f. of the amicus curiae brief:

> "The background to this distribution of obligations is that in the absence of a published standard licence agreement and if the licence agreements concluded with other users are not published, only the patent proprietor regularly knows the terms on which he has already concluded licence agreements and which terms are therefore non-discriminatory. The patent proprietor must examine the licence offer in a fourth step and respond to it within a reasonable time period."

The extent of the explanations depends on the stage reached in the negotiations between the parties. It is therefore not necessary in every case - including the present case - to disclose the names and conditions of the third-party licence agreements directly in order to check plausibility (cf. in detail below).

Based on these principles, the following applies to the present case:

Sufficient notice of infringement before filing suit

As stated above, the reference to the infringement of the patent in suit by the claimant was sufficient. The claimant sent Guangdong Oppo on the 22 July 2020 a list of which of its essential patents it considers to be infringed for the 3G and 4G standards (Exhibit KAP FRAND 1). Explicit designations of the defendants' 4G-capable products can be found in the presentation of the 4 August 2020 (Exhibit VB- F 3), whereby the defendants were already aware that the allegation of infringement was directed against all 4G-capable products. The claimant on the 7 January 2022 submitted an updated list of patents deemed to have been infringed (Exhibit KAP FRAND 2). This also contains a reference to the patent in suit. In addition, the claimant on the 31 August 2020 also sent claim charts relating to the Chinese family member of the patent in suit (ZL201310315589.X). According to the claimant's uncontradicted submission at the oral hearing, this also contained an explicit reference to the patent in suit. Objections that this was not sufficient for the comprehensibility of the infringement allegation were raised by the defendants for the first time at the oral hearing. This is late. In addition, the objection was not justified on the merits, since the defendants objected that the Chinese patent had a broader scope of protection than the patent in suit. If there had been a need for clarification here, the defendants could and should have asked the claimant as a cooperative licence seeker. In the rejoinder, however, the defendants retreated to the formalistic position that a reference to the patent in suit was required in the letter of reference itself. As already explained, this argument is not convincing.

Declaration of willingness to licence by the defendants before filing suit

According to the standards set out above, the defendants have expressed their initial willingness to take a licence in a sufficient manner to serve as a starting point for further negotiations. The statements they made before filing the action have made it sufficiently clear that the defendants are interested in taking a licence and that the claimant, as the holder of the SEP bound by antitrust law, is therefore obliged to enter into constructive negotiations with the defendants, which includes in particular the submission of a FRAND offer. The panel is of the opinion that insisting on a certain wording at this point does not promise any further insight into the actual intention of the user. Even a declaration that fully adopts the wording of the decision of the High Court of England and Wales quoted by the Federal Court of Justice ("a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND") can prove to be mere lip service. The Federal Court of Justice also correctly states in this context that "the requirements to be made in detail [elude] a general definition" (BGH, judgment of 24 November 2020 - KZR 35/17 (FRAND-Einwand II), GRUR 2021, 585 para. 59). Against this background, the defendant's statements at the beginning of the negotiations appear sufficient to be regarded as a sufficiently serious prelude to further negotiations. In their email from the 29 September 2019 (Exhibit VB F-1), the defendants made a sufficient declaration and named a specific contact person for further talks ("As a willing licensee, OPPO intends to conduct constructive licence negotiation with you on a good faith basis, and I will be in charge of this matter."). The claimant did not object to this statement as insufficient but took it as an opportunity to start [...] negotiations, to clarify the modalities of a first meeting and then to submit initial ideas to the defendants in the form of term sheets. Circumstances that would show that the defendant's statement was already insufficiently serious and unsuitable at this point to enter into concrete talks are not apparent.

<u>Submission of an offer to conclude a FRAND licence by the claimant</u>

The claimant then presented on the 4 August 2020 economic cornerstones of an offer in a Zoom meeting (Exhibit VB-F 3, p. 4). In the presentation, the claimant did not limit itself to requesting unspecified prices but attempted to clarify its position as to why it considered the prices to be reasonable. This is considered in more detail below:

On slide 3, the claimant put the defendant's market activities in relation to the geographical coverage of the claimant's patent portfolio for, among other things, the LTE standard and showed that, particularly in Asian countries and Europe, the claimant's patent protection and the defendant's market activity are in conflict.

Further, the claimant has explained that it had at least [...] standard essential patent families and was thus one of the [...] top owners of large portfolios relating to the LTE standard. [...] of the families, there were claims directed to end devices (ibid., slide 20). She also pointed out that [...] of the families had been evaluated before being included in a pool aimed at the automotive sector. In favour of the defendant, she based her calculations on [...] patent families from this.

The claimant also used a top-down analysis (Exhibit VB-F 3, slides 17 et seq.) to show how it derives its licence fees. To do this, it used the average sales price (ASP) of the defendant's products based on the sales prices in the UK market, which was used as an example, and showed the ASPs it had determined for five of the defendant's models. She then referred to three court decisions and deduced from them that the aggregate royalty rate for LTE-SEPs is between 6 and 10% of the ASP for a mobile device (ibid. slide 19). She then used the median value (8%) and assumed an ASP [...] that was closer to the lower end of the sales prices found by the claimants. When applying the system, which can be found in the UK High Court's decision on the merits in the Unwired Planet case [2017 EWHC 711 (Pat)], it arrives at a license fee of [...]. When applying the system from the decision TCL vs. Ericsson, 8:14-cv-00341-JVS_DFM, it arrives at a fee of [...]. This justifies the standard license fee (standard rate) for the “Major Markets” [...] and “Other Markets” [...] and even more so the incentivized compromised rate (ICR) [...]. In addition, the claimant has explained its ideas on the basis of a comparison with pool licence rates, although it has taken the view that pool rates are regularly significantly lower than bilaterally negotiated rates and can therefore only be used for comparisons to a limited extent. In addition, the claimant points out that the majority of TOP LTE patent holders, like the claimant, do not participate in pool licence models. Nevertheless, it argues that its idea also proved to be reasonable compared to the licence rates of the pool licensors.

With these statements, the claimant has already clearly set out its demands at an early stage and sufficiently plausibilised for the further negotiations why it believes it is entitled to submit a FRAND-compliant offer. If the defendants, as cooperating licence seekers, had still had questions, e.g. on the non-discriminatory nature of the offer, they should have asked them immediately or shortly afterwards.

The defendants, on the other hand, insist in their argumentation that these statements are not yet to be regarded as an initial offer because a written contractual offer is required. The panel cannot agree with this view. What can be demanded of the SEP proprietor cannot be determined in a generalised, formalistic manner. The requirements for the behaviour of the patent proprietor and the behaviour of the user of the invention are mutually dependent. The yardstick for the examination is what a reasonable party interested in the successful conclusion of the negotiations in the interests of both parties would do to promote this goal at a certain stage of the negotiations (in this sense also BGH FRAND II, loc. cit., para. 59). At the beginning of the negotiations, it is not in line with customary business practice to directly confront each other with draft contracts ready to be signed as long as not even the central economic points have been clarified. Therefore, it is also not the behaviour of a patent user negotiating in good faith in the direction of a FRAND licence to nevertheless insist on this in a formalistic manner in its argumentation before the court. Rather, the SEP holder's offer should represent the constructive starting point for further negotiations towards the conclusion of a FRAND licence agreement, because the individually appropriate contractual terms in complex patent licence agreements must be adapted to the respective economic conditions (Court of Appeal The Hague GRUR Int 2020, 174, 179 para. 4.34; in this sense also BGH loc. cit. FRAND II para. 70). Rather, it is sufficient if the SEP holder's offer allows the patent user to recognise the essential economic framework conditions of a proposed licence agreement and, if necessary, to react to this with a deviating counteroffer. As a rule, this does not require a written contractual offer that is differentiated in all secondary points and ready to be signed. Rather, it is up to the patent user to request the submission of such a formal contractual offer if, contrary to customary practice, he wishes to receive it at this stage of the negotiations. The decisive factor is not the concept of an offer under contract law, but a concept of an offer that is to be understood economically in the context of European antitrust law. the defendants did not respond to these economic ideas of the claimant until 28 July 2021, almost a year later, and in the meantime focused on technical discussions and requested claim charts. The defendants did not draw any further conclusions from this requested technical material in the further course of the discussions. Rather, the defendants have resorted to commissioning a private expert to conduct an ex-post analysis of the claimant's offers and to have him carry out an examination of the circumstances solely on the basis of the patents declared to be standard essential, but then to reserve the right to make corrections if it should become apparent that the extent of the patents really essential to the standard should differ from the extent of those declared as such (SoD para. 409). It is therefore difficult to understand why the defendants focused for a long time on the technical analysis of repeatedly requested further claim charts during the negotiations, only to conclude in the court proceedings that “any qualitative assessment (of the ‘actually’ assumed standard essential patents) generally carries the risk of an (unknown) error size” (SoD para. 409). Rather, they would have been required to take a concrete position on the claimant's ideas at that time and to raise objections, make counter-proposals or raise economic questions that needed to be clarified. The raising of such questions by a private expert opinion in court cannot replace this obligation to cooperate.

In addition, it had to be acknowledged that the claimant on the 22 June 2021 on the basis of a further comparison with the portfolios of three other TOP LTE patent portfolios, related and also tried to show why, in her opinion, she was demanding reasonable licence rates (cf. exhibit VB FC 5 pages 14 ff., see summary of the results of the analyses on slide 44). In addition, the claimant set out further key points for a licence agreement (cf. slide 46). By this time at the latest, the claimant had submitted the key points of an offer.

The claimant then submitted to the defendant a flat-rate license offer on the 22 April 2022, in which it granted a flat-rate discount of [...] on its actual ideas in order to make progress in the discussions and also explained this offer. At this point, the claimant already pointed out her concerns regarding the ASPs and quantities used by the defendants in their calculations (cf. Exhibit VB-F 5, slides 6 and 7). In doing so, the claimant also made it clear that she did not have better information than the information accessible for a fee from business services and databases to make a flat-rate license offer to the defendants. In addition, the claimant based her concerns on objective circumstances accessible to her. She explained that the ASP [...] used by the defendants in their calculations was in obvious contradiction to the publicly available sales prices on sales platforms and was also well below the average sales price of 4G-capable Android smartphones worldwide. With regard to the quantities stated by the defendants, the claimant argues that these figures also contradict the data that can be derived from the economic databases.

Nevertheless, in this presentation, the claimant referred to two of its own comparable licence agreements in order to demonstrate to the defendants that, in relation to these two licensees considered comparable by the claimant, their asking prices were far removed from the comparative licence rates. While the unnamed licensees X and Y were paying […], the offers from the defendants were only […]. In the panel's view, the claimant did not have to provide the defendants with any more information at that time. In particular, under these circumstances, it did not have to submit the licence agreements with third parties used for comparison purposes.

The claimant then reduced this offer again on the 28 June 2022 by […] (see KAP FRAND 17) in order to into account declines in sales due to the COVID pandemic and the war in Ukraine in the industry. It also checked the plausibility of the figures it had used for past use in the years […].

On the 15 September 2022, the claimant then submitted a further proposal for a FRAND licence agreement to the defendants (Annex KAP FRAND 18a). In the proposal, the claimant criticised at the outset that the defendants had still not any comprehensible information on their quantities. There was a lack of any information on the figures relating to the year […]. The claimant complained that the defendant's proposal only covered the period […] thus past sales in the scope […] without any justification - despite the fact that discussions had already been held between the parties. At the same time, the claimant complained that the defendant's position had remained unchanged since the counteroffer of the 27 August 2021, which suffered from the aforementioned deficiencies.

Nevertheless, the claimant further reduced its offer across the board by […] % i.e. at […] in order to make progress in the talks (see Annex KAP FRAND 18a slide 6). In explaining its positions, it again drew a comparison with the still unnamed settlement licences with companies X and Y. In addition, it referred to another publicly known benchmark, the conclusion of a multi-year worldwide licence agreement between InterDigital and Xiaomi, stating that according to the analyses of the business service Strategy Analytics, the market penetration and sales volumes of Xiaomi and Oppo were comparable. In addition, the claimant deduced that the unnamed Company X, with which a licence agreement already existed, paid approximately […] % of the agreed between InterDigital and X to the claimant (cf. ibid. slide 12). The claimant derived these figures from the so-called 10K report submitted by InterDigital, the annual submission of which is prescribed by the US Securities and Exchange Commission (SEC) in a standardised form. From this, the claimant derived the payments of Xiaomi to InterDigital and applied this […] as a factor and thus achieved a quarterly payment from […] and therefore for a contract that […]. At the same time, the claimant pointed out that its flat-rate license offers of April

22 and June 28, 2022, were within this range, whereas the defendant's proposals did not even correspond to the settlement payments for one quarter (cf. ibid. slide 13).

In order to reach a target in the talks, the claimant then adjusted its offer again on the 29 November 2022, i.e. also before the action was filed (Annex VB-F8). In doing so, the claimant referred to more recent decisions of Chinese courts, in particular the decision between Siemens and Huawei, and also adjusted the assumed ASP downwards as well as the sales figures projected for the future. The claimant adjusted its unit licence offer downwards by [...] % (see slide 7 above) and also applied this adjustment to the blanket licence offer it had now submitted and deducted from the calculated amount instead of [...] % so that the last offer made before the action was filed [...].

This offer thus represents the end point of the claimant's proposals on the way to a FRAND licence and will be examined in more detail below. In this context, the argument that the extent of the concession in relation to the initially expressed ideas can already prove the FRAND-incompatibility of the offer of the respective negotiating party must be rejected on its merits. This is certainly not the case if the concession can be explained by the course of the negotiations and is based, for example, on new information exchanged in this context or is presented as a response to concerns expressed by the other party or if a negotiating party offers lump-sum discounts for its own motivation in order to conclude a contract quickly. This is the case here. As shown above, the claimant has justified in each case on the basis of objective criteria why it represents and has changed the economic position it took at the respective stage of the negotiations. From the point of view of the panel, it has always taken comprehensible aspects into account and has also presented its considerations in such a way that a patent user seriously interested in the progress of the negotiations is able to comment on the content.

The offer last submitted to the defendants therefore appears to be FRAND-compliant from the point of view of the panel at the relevant time during the negotiations. Likewise, the Comparable licenses submitted in the course of the present proceedings in response to an order show that the claimant was not tempted to make inaccurate claims to the defendants regarding its settlement licence partners. On the contrary, the settlement licence agreements submitted (Exhibits KAP FRAND 20, 21 and 22) confirm that the claimant’s assertion correct, that the companies X and Y, which were also correctly used as comparables from the point of view of the panel, were sold to the claimant for [...] amounts. While the amounts offered by the defendants are not in any comprehensible way proportion to this in view of the generally available economic data on the defendants' sales volumes presented by the claimant. In particular, the defendants did not object that the data used by the claimant from the economic services was incorrect. The claimant did not have a better basis for judgement because the defendants refused to provide their own turnover data until the end of the oral hearing. Although - depending on the stage reached in the specific negotiations - it may not immediately be necessary to disclose one's own sales data in full, a licence seeker negotiating in good faith can nevertheless be expected to make available such data for certain partial periods of time which make it comprehensible to the SEP holder as a whole why the licence seeker feels entitled to calculate on its deviating basis, at least in order to check the plausibility of its own objections to the figures used by the other party. This was not done in the present case, even after the claimant rejected the defendant's counteroffer, contrary to the clear case law of the CJEU in this respect in the opinion of the panel. As the claimant rightly argues, the patent user must, following the rejection of its counteroffer, provide information in a form that enables the SEP holder to assess whether the security to be provided is sufficient and, in particular, covers the risk of insolvency (CJEU Huawei/ZTE para. 67). The defendants did not provide such information at any time. Nor can the defendants refer to the fact that the claimant also referred to general economic information, specifically the IDC data, regarding the figures on which the settlement licence agreements submitted by its side are based. The claimant is entitled to seek [...] to prevent the disclosure of confidential information, because the information is available to the claimant and the claimant had to protect the confidentiality interests of the contractual partners. The claimant was also entitled to accept that generally available economic data would suffice for a price alignment in these negotiations in relation to a license agreement partner who participated quickly and purposefully in the negotiations. As a patent infringer who has been dragging out the negotiations for more than five years, the defendants have no claim to being treated the same as a constructively negotiating party who is seriously interested in taking out a license and with whom the negotiations can be quickly concluded.

Furthermore, the defendants cannot now justify their lack of constructive negotiation before the action was brought ex post by subjecting the factual material now available to a private expert assessment and deriving a plethora of objections from this. It is inadequate to substantiate the objections only in the court proceedings by means of commissioned expert opinions, which, moreover, are only partially explained in the main pleadings with regard to their systematics. Rather, it is advisable to present the objections in close temporal connection to the presentation of the opponent's calculation approach and then, without the need for judicial assistance, to give the opponent the opportunity to overcome the existing discrepancies by means of suitable negotiation proposals on the way to a FRAND licence.

Even if the now disclosed settlement licences are included in the assessment of whether the claimant must be prevented from enforcing the asserted injunctive relief and the other future-oriented claims under the patent for antitrust reasons, the claimant's offer described above does not prove to be FRAND-inconsistent, but FRAND-compliant. In this regard, the claimant must first agree that FRAND is a corridor. This view now appears to be generally recognised. However, there is not just one FRAND offer, but several forms of a licence agreement within the bandwidth, all of which can satisfy FRAND criteria. Therefore, the claimant also has room for manoeuvre within this range. For antitrust reasons, it is not obliged to submit the cheapest offer that is still within the corridor. Nor is it obliged to use a calculation method favoured by the other party. From the point of view of reasonableness, it may only not deviate in a way that is no longer justifiable from the circumstances used as a benchmark, whether these circumstances lie in its own comparative licences, which regularly have the strongest indicative effect, or in licence agreement arrangements used for comparison purposes, which have been discussed in court decisions, for example, and which can be applied to the specific circumstances.

In the present case, the claimant has submitted three comparative licence agreements, whereby it considers one agreement to be only partially comparable. In doing so, it has used the comparative licence terms for the purpose of deriving a comparative figure. Using the same systematic approach, it "unpacked" the LTE devices and applied the same factors to them in order to compare the derived unit licence rate with the offer of the defendants (cf. Annexes KAP FRAND 23, 25 and 28). To this end it stated the sales period under consideration and the number of LTE devices sold (based on business information data) and reduced these by the claimant's scaled sales. It then calculated a unit licence rate from the blanket licence. The claimant applied various factors to this in order to take account of the differences between the comparative licence and the ratios applicable to the defendants.

A [...] % surcharge for saved transaction costs has been set here when considering the first settlement agreement, because of the [...] settlement licenses in each case. Therefore, corresponding double transaction costs were saved. In addition, a premium of [...] % was applied because it would have been justified to grant the third-party licensees, who negotiated swiftly and purposefully, a discount for the quick conclusion of the transaction and due to the large quantities covered, which the defendants would not have earned. Finally, a premium of [...] % was applied to reflect, in the claimant's view, the risks associated with flat-rate licensing.

The same procedure was followed for another settlement agreement, whereby here due to existing other supply relationships with the licence agreement partner in question he had been granted a price advantage of [...] %, which the defendants did not earn, as well as a [...] % discount for large quantities. The surcharge for the blanket licence was set at [...] %, the surcharge for dual licensing is again [...] %.

The claimant has shown that the – not yet increased by the markups it considers justified – unit license rates [...], the unit license rate for the third license agreement, which the panel considers only conditionally comparable, are as follows [...]. When the adjustment factors considered justified by the claimant, which in its view are necessary to establish comparability, are applied, unit license rates of [...].

Against this background, the panel is of the opinion that the unit licence rate offered by [...], which the claimant had last offered when the transaction was concluded quickly, is FRAND-compliant because - depending on the point of view - it is within the range of the comparable licences or differs from the above-mentioned rates in a not distant manner indicating abuse. Furthermore, the rate of [...] in the defendant's most important market in China and the "rest of the world", which is by far the largest part of their own counteroffer, considering higher ASP in the major markets was also unobjectionable. In view of these circumstances, it was not necessary in the present case to subject the adjustment factors applied by the claimant to a further detailed assessment.

If the licence rates offered by the defendants for the conclusion of a worldwide 4G licence in the range of [...] to a maximum of [...] are set in relation to this, it becomes apparent that these figures on which the counter-offer is based are only a fraction of the unit licence rates resulting from the settlement licence agreements, even if the adjustment factors of the claimant objected to by the defendants are not taken into account. Therefore, it is not necessary in the present case to decide whether the adjustment factors used to establish comparability from the claimant's point of view are viable or not. These rates offered by the defendants are far outside the range derived by the claimant on the basis of the comparative licences disclosed in the proceedings and on the basis of the further market information and court decisions referred to in the offers described above. The defendant's counteroffer therefore does not prove to be FRAND-compliant.

The decisive circumstance for this discrepancy is already the defendant's approach, which is to be assessed as non-FRAND-compliant. On the one hand, with reference to their expert opinion, they insist on an ad valorem approach that takes better account of the fact that their devices do not require all releases of the LTE standard, while on the other hand - as the claimant undisputedly stated at the hearing - they have never asked for a licence that covers only some of the LTE releases. They have always aimed for an LTE licence that covers all releases of the standard. Furthermore, the defendants' approach, with which they want to compensate for the past use to be covered by the licence agreement, i.e. the acts of use carried out in the past without paying for the licence, cannot be justified. The defendants could not even invoke conduct by the claimant in breach of antitrust law if the claimant had been prepared to pay a lower lump sum for past use to a third-party licence partner working purposefully towards the conclusion of a transaction if this enabled the licence agreement applicable for the future to be drawn up quickly and by mutual agreement. It is not justifiable that the defendants were not even prepared to cover the full period since the start of negotiations with the claimant in their counteroffers. In their counteroffer of the 17 March 2022, for example, they only wanted to cover the period from [...] to [...], although negotiations had already begun in 2019 (cf. KE para. 564 et seq.). This continued in the counteroffer of the 29 July 2022 (VB-F2, p. 6), and they did not address the claimant's objections in this regard in their offer of the 15 September 2022 (cf. ibid., para. 4 above). Even in the counteroffer of the 25 October 2022, the past is still not fully addressed. The claimant rightly points out that the defendants contradict their own party expert in this respect, who also includes acts of use for 2019 (Reply Part II FRAND para. 575).

Moreover, the defendants cannot, conversely, when considering the settlement licence agreement with [...] which both parties discussed as the best basis for settlement in the oral hearing, sales of [...] up to six years before the conclusion of the contract (but according to the rejoinder to FRAND, marginal no. 196, with reference to the expert opinion of the parties (Exhibit VB-F39, section 4.1)), by using the IDC data for the past six years, which accordingly leads to significantly lower per-unit license fees of [...] for 4G multimode devices (Annex VB-F39, Figure 2 after para. 11) compared to [...] according to claimant's calculations. The unit licence fees applied by the claimant are also based on the IDC data and were not objected to by the defendants. Only the periods for which they were collected differ. The defendants' expert's calculations with regard to the past use in the settlement licence agreement with [...] (cf. para. 38 above: 6 years past use) are to be divided by a significantly higher number of units because the defendants included a longer period in the calculations than they themselves were willing to take into account, resulting in a significantly lower unit licence rate, which the defendants believe they can hold against the claimant. The same applies to the calculations of the defendant's expert with regard to past use in the settlement licence agreement with [...] (cf. para. 38: 6 years past use). If one were to recognise this system, this would privilege a user who engages in hold-out. The defendants apply double standards without sufficient grounds.

But also in other respects, the defendants did not behave in good faith as required by the practices of a user seriously interested in taking a licence. The case law of the CJEU is to be understood correctly with the claimant as meaning that the information to be provided after rejection of the counteroffer should allow the patent proprietor to gain an overview of the scope of the actual acts of use. This is the only way to enable him to check whether the security offered is sufficient. The user must disclose the extent of his acts of use. If the patent user wishes to obtain a licence in return for a lump sum, he is also regularly required to disclose sales figures to the patent proprietor from this point of view so that the latter can assess the extent of the acts of use that are to be licensed in return for a lump sum payment.

Furthermore, the security offered by the defendants is also insufficient for the reasons put forward by the claimant. Due to the wording in the deed of guarantee, a total default is to be feared in the event of insolvency. This is because neither can an insolvency administrator give his consent for the guarantee to be drawn in the event of insufficient assets, nor can it be expected with sufficient certainty that a final judicial clarification can still be brought about in this case, because insolvency regularly brings the proceedings to a standstill in this respect (cf. only Rule 311.1 RoP).

Finally, the procedural conduct of the defendants must also be characterised as contrary to good faith, as it is characterised by self-contradictory conduct. In this respect, the defendants wanted to contest the jurisdiction of the Unified Patent Court with their preliminary objection until the oral hearing. This is contradicted by the fact that they then nevertheless requested the determination of a FRAND rate by way of a FRAND counterclaim. The defendants only felt able to refrain from pursuing the preliminary objection - albeit under sharp protest - following a firm indication from the panel. Furthermore, the defendants' applications in the FRAND counterclaim were initially aimed solely at having the panel determine a territorially limited licence rate, which was to be limited to the EPC contracting states, the USA and Japan. This is in contradiction to its own argumentation that FRAND is solely the determination of a global FRAND rate. However, this contradiction was also only responded to upon judicial notice and at least the new main claim of the FRAND counterclaim was directed towards a global lump-sum licence payment. However, the defendants continued to adhere to the territorially limited determination approach in the context of the alternative claims. According to the first alternative claim, the main part of the licence is to be determined by the Beijing Intellectual Property Court and only a very limited lump sum is to be paid for the previously named countries in view of the acts of use. In this respect, in the opinion of the panel, it is also not in line with the approach of a user working in good faith towards the conclusion of a licence agreement to further complicate the already complex situation by bringing FRAND rate determination proceedings for sub-regions of the world before different courts in the world, between whose states there are no treaties establishing a priority order between the courts seised. This is because the provision cannot be determined with a clear territorial distinction. Rather, there is a considerable risk that the respective courts involved will pursue different approaches when determining the FRAND rate. This in turn harbours the risk of contradictory rulings, meaning that appeals can be expected to be pursued in the various jurisdictions. This is not conducive to the speedy conclusion of global disputes. In addition to the court in Beijing and the UPC, the defendants' exclusive licence holder in Italy has also recently initiated a determination procedure limited to Italy before the national court in Milan. The defendants also emphasise the determination proceedings between the claimant and the Xiaomi group of companies before the High Court of England Wales. The conflict is particularly apparent here because Italy is also a contracting state of the UPCA and the present complaint explicitly covers acts of FRAND counterclaim

The defendant's FRAND counterclaim is admissible but had to be dismissed as unfounded.

Jurisdiction of the UPC:

The UPC has jurisdiction for the counterclaim filed by the defendants together with the statement of defence, which is aimed at determining a FRAND licence. Jurisdiction follows from Art. 32(1)(a) UPCA. According to this provision, the court has exclusive jurisdiction over complaints of actual or threatened infringement of patents and related statements of defence, including counterclaims relating to licences. This includes not only disputes concerning existing licences to a patent, but also complaints aimed at the conclusion of a licence.

The fact that the claim pursued by the defendants in the present case - in addition to contract law based on the claimant's ETSI FRAND Declaration - is derived from European antitrust law does not change this. This is because the Unified Patent Court is a common court of the Contracting Member States and is therefore subject to the same obligations under Union law as any national court of the Contracting Member States, Art. 1 UPCA. The court applies Union law in full and respects its primacy (Art. 20 UPCA) and bases its decisions on this (Art 24(1)(a) UPCA). This also includes the mandatory application of EU antitrust law, in particular Art. 102 TFEU.

In the present case, the defendants derive their claim to a FRAND licence on the one hand from contractual principles, which they see in the ETSI FRAND Declaration, and on the other hand from Art. 102 TFEU. Even if one were to assume that this was a claim based on Art. 102 TFEU and with which the infringer demands that the SEP holder refrain from abusing its dominant market position by refusing to grant it a FRAND licence, this does not change the jurisdiction of the UPC. This is because, in essence, the claim is aimed at defending against the monopoly right conferred by the state, the granted patent, and the powers derived from it, the injunctive relief and the further claims for removal and destruction directed to the future, by countering, with appeal to the generally recognised legal principle of good faith, that there is a corresponding claim for performance under antitrust law which can be held against the exercise of the powers under patent law. The contracting member states of the UPC were aware of this connection when the UPC was created and the associated transfer of national judicial sovereignty. The connection between patent law and antitrust law is in any case inherent to the patent and indissoluble. Due to the obligations of the Member States under European law and thus also of the UPC, the task assigned to the UPC is the same as that of the national courts when dealing with patent disputes, if the Agreement is interpreted correctly. Here, the national courts decide on both the patent law dimension and the inherent antitrust law dimension - due to the nature of patent law as an exclusive right. This is also evident from the fact that before national courts, for example in Germany or the Netherlands, the national patent litigation chambers regularly also decide on the antitrust aspects of the case and even the German Federal Court of Justice has formally decided SEP cases through the antitrust senate, but a member of the patent senate was always appointed to report on SEP cases in order to bring in the necessary patent law expertise. Therefore, a reference to the fact that in national proceedings a panel responsible for antitrust law has formally decided SEP cases on the basis of the corresponding provisions of a business distribution plan drawn up by the Presidium of the Court would be substantively meaningless.

Accordingly, Advocate General Wathelet has already stated in his Opinion on Case C-170/13 Huawei v ZTE that, against the background of the obligations under European law, it cannot be held against the alleged patent infringer if it demands that FRAND conditions be set by a court or arbitral tribunal (cf. Opinion of Advocate General Melchior Wathelet of 20 November 2014 Case C-170/13 para. 93: "If no negotiations have been entered into or if they have been unsuccessful, the behaviour of the alleged patent infringer cannot be regarded as reluctant or not serious. November 2014 Case C-170/13 para. 93: "Moreover, where no negotiations have been entered into or where they have been unsuccessful, the conduct of the alleged patent infringer cannot be regarded as dilatory or not serious if the latter requests that those conditions be set by a court or an arbitral tribunal."). The Convention offers no indication that, in transferring judicial sovereignty to the UPC, the Member States, contrary to the requirements of European law, intended to cut off the cognizance powers of the common court, which also replaces the national courts, and to cut off the uniform decision on patent law issues on the one hand and antitrust law issues on the other. If the antitrust law claim for the grant of a licence on FRAND terms can be raised as an objection to the patent law claims concerned, there is no reason not to regard counterclaims based on this as counterclaims within the meaning of Art. 32(1)(a) UPCA.

In this respect, it should also be noted that the UPC already has exclusive jurisdiction for SEP disputes that have their origin in a European patent with unitary effect. The same applies to European bundle patents that are not the subject of an opt-out after the expiry of the transitional provision pursuant to Art. 83 UPCA. A national court would therefore have no jurisdiction for these cases. If, for example, a claim under antitrust law for a FRAND licence were to be asserted before a national court and a question of patent law were to be raised as a preliminary question of the antitrust examination - for example, whether the teaching of the patent in suit is actually essential for a standard and thus whether a monopoly position exists due to its standard essentiality - this question would have to be clarified by the UPC. However, since the UPC would in turn be required to decide on any restriction under antitrust law when deciding whether an application for an injunction can be granted, the indissolubility of the question of patent and antitrust law becomes apparent. The same would apply if the patent proprietor were to apply to the UPC for only a limited injunction, making the enforceability of the injunction as a minus to the unrestricted injunction subject to the condition that the patent user refuses to comply with a FRAND provision assigned to the court by refusing to cooperate as required for the implementation of the FRAND licence agreement determined by the court.

Unfoundedness of the defendant's counterclaims

However, the defendant's applications as filed are not well-founded.

The main claim must be dismissed because the claimant cannot be obliged by the court to accept the defendants' FRAND-inconsistent offer of the 17 July 2024 pursuant to Exhibit VB-FC 14. As explained above, the lump sum licence fee submitted by the defendants in the offer to conclude the contract is not FRAND-compliant within the meaning of the case law of the CJEU, if only because the lump sum licence fee offered was not calculated on the basis of the defendants' own acts of use. The defendants persistently do not disclose the extent of the actual use but calculate what they consider to be the appropriate global lump sum licence solely on the basis of the IDC data disputed by the claimant. As explained in detail above, this is insufficient.

For the same reasons, auxiliary request I.2, which conversely sought to order the claimant to submit the same offer to the defendants, was also to be dismissed.

The further auxiliary request I.3 was also to be rejected. The application is aimed at ordering the claimant to submit a licence agreement offer with the content according to Exhibit VB-FC16. The claimant is not obliged to do so because, on the one hand, the lump sum licence amount offered for the acts of use in the EPC contracting states, Japan and the USA was again only calculated using the IDC data, but not its own disclosed acts of use. Moreover, it is not in accordance with the practice of business transactions [...] to have another court, in this case the Beijing Intellectual Property Court, determine the licence fee. This means that, on the one hand, the key points of the contract are still open and, on the other hand, both parties ultimately agree in their arguments that only a comprehensive dispute resolution through a global FRAND rate determination is in line with customary practice. The defendants have also not put forward any arguments that could nevertheless justify a partial determination of the licence rate only for certain global regions. The mere reference to the greater local proximity of a court to the respective submarket is not sufficient for this. The calculation based on the IDC data is also flawed by the other alternative applications made within the alternative application.

Insofar as the defendants request, in the alternative to the applications of application group I with application group II.1, to make findings on a claim to a licence and its amount in the territory of the EPC contracting states, the application was to be dismissed for the simple reason that a provision limited to the EPC territory does not meet FRAND criteria (cf. above).

Insofar as the defendants further r e q u e s t in auxiliary application II.2 that the defendants be obliged "subject to the existence of a FRAND obligation" to pay a flat licence rate limited solely to the EPC contracting states, the application was to be dismissed for the same reasons as application II.1.

The alternative application under claim II.3, to require the claimant to cooperate fully to bring about a FRAND licence on the terms set by your court, is already too indefinite and therefore not capable of being granted as an unenforceable application.

The further auxiliary application group III. was already not grantable because the defendants have no need for legal protection in the requested abstract findings. The defendants themselves argue that they are entitled to a FRAND licence. They were required to assert this with suitable groups of applications, which they did not succeed in doing. The defendants have no noteworthy legal interest in further abstract findings, such as those pursued with the present group of applications, since they have not yet behaved in accordance with the requirements of the CJEU's case law, as explained above. It can therefore be left open in the present case whether a determination of a specific FRAND licence rate by the court - even without a FRAND counterclaim by the implementer - can be considered, for example, if both parties have each submitted a (counter)offer within the FRAND corridor and then cannot agree on overcoming the remaining differences through a third party as considered by the CJEU (cf. CJEU loc. cit. para. 68). Moreover, application III.1(e) again suffers from the fact that the claimant is to be ordered to submit an offer limited to the EP territory only, although both parties agree that only a global licence will finally end their disputes.

The further groups of claims asserted in the alternative, which were the subject of the counterclaim of 22 December 2023, must be dismissed for the same reasons as auxiliary claim group III.1. Mere declarations are requested (application (i), (iii), (vi), (vii), (viii), (ix)) or the applications are too vague (application (ii), (v)) or, again in accordance with the grounds of the counterclaim, relate only to the EP territory (application (ii), (iv), (v), (x)). This is because the defendants only switched to a global licence regime upon explicit reference by court order.

Applications by the claimant in the context of the FRAND counterclaim

The claimant's applications "in the context of the counterclaim" were subject to the condition that the defendants' counterclaims were not dismissed and that the defendants behaved like willing parties to the licence in the negotiations with the claimant that were the subject of the dispute. This intra-procedural condition did not materialise.

Amount in dispute

(...)

Decision

A.

I. It is found that the Defendants has infringed European Patent No. 2 568 724 B1.

II. The Defendants are ordered,

to c e a s e and d e s i s t

(...)(...)

B. The action for nullity is dismissed.

C. The FRAND counterclaim is dismissed.

D. The Defendants have to pay the costs.

E. The amount in dispute is set to EUR 50 million €.

F. The orders are only enforceable

with regard to A.II.1, A.II.2, A.III. (injunctive relief/recall/removal/destruction)

- after the claimant has provided security in favour of the Defendant in the form of a deposit for an amount of 10 million or a written, irrevocable, unconditional and unlimited guarantee from a credit institution authorised to do business in the territory of a Member State of the European Union for 10 million
- after the claimant has notified the court which part of the orders it intends to enforce and has lodged a certified translation of the orders into the official language of the Contracting Member State in which enforcement is to take place, and after the notification and the (respective) certified translation have been served on the Defendants.

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