

Local Division Munich
UPC_CFI_9/2023
Decision of 18 December 2024

Guiding principles

1. If the patent proprietor has submitted several different offers that are still acceptable, for example an offer concerning a bilateral license to the patent proprietor's portfolio and an offer concerning a license to the portfolio of a patent pool that also contains the patent or portfolio of the patent proprietor to be licensed, the infringement action for injunction, recall and destruction cannot be dismissed if it can be assumed that at least one of the two offers meets the antitrust requirements. This is because the patent proprietor is only required under antitrust law to show the patent user a licensing route that satisfies the FRAND requirements. The patent proprietor can fulfil its obligations under antitrust law by offering a pool license. The same also applies in relation to a contractual assessment, for example in relation to a Letter of Assurance (LOA) issued under the IEEE Bylaws 2007.
2. The observations of the Court of Justice of the European Union in marginal numbers 66-67 of the judgement in Huawei v. ZTE mean that the filing of the complaint may be contrary to antitrust law because the patent proprietor's offer contradicts FRAND conditions, but the infringer may only object to this in the context of a defence against that part of the complaint which is directed towards injunction, recall or destruction if he himself has submitted a concrete counter-offer which complies with FRAND conditions without delaying tactics and, moreover, has provided adequate security in the event of its rejection and has provided information on the scope of the acts of use.

A.

I. Facts of the case

The Claimant is claiming direct and indirect infringement of European Patent 3 611 989 against the Defendants. The Claimant, based in Shenzhen, China, is a leading global provider of information and communication technology, infrastructure and smart devices. The Claimant is the sole registered owner of European Patent 3 611 989 relating to a method and apparatus



for transmitting information of a wireless local area network. The patent in suit claims the priority of CN 201510555654 of 1 September 2015 and is based on a European patent application of 31 August 2016. The notice of grant of the patent in suit was published by the European Patent Office on 26 May 2021.

(...)

The Claimant has declared the patent in suit to the standard-setting organisation IEEE as standard-essential for the WiFi 6 standard (cf. Exhibit FBD10 "WiFi6 & 6E for dummies") and has submitted an IEEE LOA in this respect.

Defendant 1) is a US-based company that manufactures and distributes networking products for home and business use. (...)

The Claimant is of the opinion that the access points offered by the Defendants, such as "NETGEAR Orbi Pro WiFi 6 - AX6000 Tri-Band Mesh System", "NETGEAR Tri-Band Orbi Pro WiFi 6 Router" and "NETGEAR Nighthawk 12- Stream Dual-Band WiFi 6 Router", make direct use of the device claims and indirect use of the process claims. In addition to the documents relating to the WiFi6 standard, it also refers to an analysis of test data relating to the attacked embodiments, which the Defendants themselves submitted in infringement proceedings before the Regional Court of Düsseldorf.

The Defendants have filed a preliminary objection in due time pursuant to R. 19 RoP (App_570172/2023). (...) Irrespective of this, the Defendants invoke a contractual obligation to grant a license, which the Claimant entered into vis-à-vis IEEE by means of a Letter of Assurance (LOA). This has a third-party effect in their favour. The now applicable bylaws contain a prohibition of legal action. The Claimant is therefore barred from bringing the present complaint seeking, inter alia, injunction, recall and destruction. The Defendants also deny patent infringement and bring counterclaims for revocation of the patent in suit. They argue that the patent in suit is not legally valid and that the attacked embodiments do not make use of the patented teaching. Proof of infringement cannot be provided solely on the basis of the standard, because this leaves scope for implementation. Furthermore, the Claimant's patent claims in relation to products with Qualcomm modems were exhausted. The Claimant had concluded a corresponding contractual agreement with Qualcomm. Qualcomm modems are



partially installed in the attacked embodiments. Irrespective of this, the Defendants assert themselves with the antitrust compulsory license objection under CJEU - Huawei v. ZTE. Furthermore, they argue that the Claimant has in any case not complied with the contractual obligations under the applicable IEEE Bylaws on the LOA.

The Claimant rejects the compulsory license objection under antitrust law and the IEEE LOA objection. Regarding IEEE, it has only committed itself with the LOA to the extent that only the 2007 Bylaws and no later versions are involved. These did not contain any prohibition of action. The bilateral license offers and the alternative offer of licensing via the SISVEL patent pool were both FRAND. Moreover, the Defendants had delayed the negotiations and shown themselves to be unwilling to take a license and had not provided any security or information after rejecting their unFRANDly counteroffer, which was submitted far too late. The Defendants had not even considered the possibility of taking a pool license via SISVEL.

The defence of exhaustion does not apply due to the interpretation of the contractual provisions made with Qualcomm as represented by the Claimant. Irrespective of this, at most modems are affected and not complex products such as the WiFi routers at issue here. The Defendants had also not submitted any device-related arguments regarding the first placing on the market in the relevant period within the European Union. In any event, the objection was limited to the period [redacted].

The extension of the complaint to include claims from patent EP 3 678 321 of 23 November 2023 was admitted by the Chamber on 11 December 2023 (...).

II. Reasons for the decision

1.

(...)

2.

a.



Neither the FRAND objection based on European antitrust law (see G.) nor the IEEE LOA objection based on contract law (see H.) of the Defendant are valid.

The Unified Patent Court (UPC) 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 Court of Justice of the European Union (CJEU), Art. 267 TFEU. The decisions of the CJEU are binding on the UPC, Art. 21 UPCA (cf. Local Division Mannheim, decision of 22 November 2024, UPC_CFI_210/2023, para. 189)

However, the present case - especially for the Court of First Instance - does not give any (urgent) cause for a referral to the CJEU, even against the background of the European Commission's amicus curiae brief, which it lodged with the Higher Regional Court of Munich on 15 April 2024 under the reference 020078-24 MLO / DLF and with which the European Commission "encourages" the court there to refer the case to the CJEU. Rather, the panel agrees with the Mannheim Local Division that the only questions that arise in this case relate to the individual case at hand, which can be resolved by applying the balanced principles developed by the CJEU, which allow the courts called upon to apply the law in individual cases to make an appropriate assessment of the respective case. At the same time, the opinion of the European Commission - which is admittedly not binding on constitutionally independent courts - can be considered insofar as it is to be followed (cf. Local Division Mannheim, decision of 22 November 2024, UPC_CFI_210/2023, para. 190). The document was also introduced in the present proceedings and discussed 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 hearing programme and have continued to fill in the details on the basis of the 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 GR. ASUS; German Federal Court of Justice GRUR 2020, 961 - FRAND-objection, GRUR 2021, 565 - FRAND-objection II), the panel agrees with the Local



Division Mannheim 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, which at the same time 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 royalty, if applicable, is only one component of this programme (cf. Local Division Mannheim, decision of 22 November 2024, UPC_CFI_210/2023, para. 191).

In its leading decision *Huawei v. ZTE*, the CJEU established a negotiating programme which sets out the parties' respective obligations in the context of negotiations for a license to a standard essential patent conferring a dominant position on the patent proprietor and enables the courts to assess the parties' conduct on the way to a license. According to settled case-law of the CJEU (*loc. cit.* para. 46), the exercise of an exclusive right attached to an intellectual property right, in this case the right to bring an infringement action seeking injunction, recall or destruction, 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 - against the background of the UK Court of Appeal's decision - 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 several 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 license 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 license that ignores the steps established by the CJEU in the sense of a purely economic determination of the license 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 (cf. Local Division Mannheim, decision of 22.11.2024, UPC_CFI_210/2023, para. 192-193).

(...)

b.

In the present case, the Defendants did not signal a sufficient willingness to take a license after an unobjectionable infringement notice, delayed the negotiations and, after their counteroffer was rejected, did not provide any security and did not provide sufficient information. Furthermore, they have not provided any substantive arguments as to why the pool license offered in addition to a bilateral license via SISVEL does not satisfy FRAND principles.

The Defendants, who have the burden of presentation and proof in this respect, have not made a conclusive submission as to whether and why the patent in suit gives the Claimant a dominant market position.

Rather, the Defendants have denied use of the patent in the context of the infringement discussion (cf. SoD, Section F.I.3). Furthermore, they have argued that the individual protocols provided for in the IEEE 802.11ax standard specify a common code word space for Wi-Fi, which does not have to be fully utilised by access point implementations because there is considerable scope for implementing the standard in terms of which code words can be generated by an access point implementation. A binding effect regarding the use of the (entire) IEEE 802.11ax specifications should therefore be rejected. The access point of a Wi-Fi network decides which code words are used and communication with the connected stations is also ensured despite only partial utilisation of the code word space. Compatibility with the IEEE 802.11ax standard is also not to be equated with full implementation of the same. The full implementation of the IEEE 802.11ax standard does not result from the designation as Wi-Fi 6 supporting or Wi-Fi 6 compatible.



Hereby, the Defendants deny a mandatory use of the standard specifications and thus of the patent in suit by submitting facts and not only by a deviating legal assessment of the questions of patent interpretation and the infringement test. Thus, there is already no conclusive factual submission that the patent gives the Claimant a dominant market position because all market participants and thus also the Defendants as manufacturers and distributors of access points would be forced to use the teaching of the patent in suit. It must be assumed that the Defendant's UPC representatives have observed Art. 48(6) UPCA and R. 284 RoP in this respect and have not misrepresented the facts knowingly or due to negligent ignorance. It can therefore be assumed that the standard does not impose any mandatory requirements in this respect. The patent in suit therefore does not give the Claimant a dominant market position, although, as shown, it is literally infringed. Since the Defendants bear the burden of presentation and proof for the question of a dominant market position, their objection must be rejected at this point.

The possibility, in the alternative, of making an alternative factual submission and thus the "alternative facts" model, if the factual submission in the context of the non-infringement argumentation should not prevail, must be rejected based on the provisions cited above.

Ultimately, however, the question of antitrust liability can also be left aside in the present case, because even if the Claimant were subject to antitrust obligations based on the patent in suit, it would have complied with them in the present case.

The Defendant duly notified the Defendants of the infringement of the patent in suit prior to the filing of the present action. As explained above, the date of the filing of the present action, i.e. 2 July 2023, is decisive. Furthermore, the Defendant was also sent claim charts relating to the patent in suit by the Claimant: In any event, the transmission of claim charts is sufficient evidence of infringement. The Chamber does not share the Defendant's view that the transmission of many claim charts (here [redacted]) is inadmissible under antitrust law. If the parties negotiate the licensing of a very large portfolio, it is unavoidable to make a higher number of technical details the subject of the negotiations.

Whether the Defendants' license request was sufficiently formulated and, if not, whether further disadvantageous legal consequences can be derived from it for the Defendants, can be left open in the present case. On the one hand, the Defendants have submitted an



unconditional counter-offer and thus possibly abandoned earlier reservations. Secondly, since the Defendants have not provided any security, their FRAND objection is not successful anyway.

It must be assumed that the offers nevertheless submitted by the Claimant fulfil the FRAND requirements. [redacted] Whether these offers fulfil FRAND requirements can be left open, as will be shown below.

Although the Defendants rejected the Claimant's counter-offer, the Defendants did not provide security or sufficient information by the time the claim was filed. As discussed at the interim hearing, the Defendants merely provided generally available figures. This means that the condition laid down by the Court of Justice of the European Union (para. 66) for the Defendants to be allowed to rely on the abusive nature of an injunction or recall action is not met. Since the Defendants did not make up for this by the end of the oral hearing, it remains to be seen whether the opinion of the Higher Regional Court of Munich that such a catch-up is worthy of consideration should be endorsed.

Furthermore, the Defendants have not made any substantive submissions as to why the alternative option presented by the Claimant of taking a pool license via SISVEL constitutes an abuse of a dominant market position by the Claimant. The Defendants have not made any written pleading regarding the pool offer. At the interim hearing, they responded to the judge-rapporteur's question in this regard with "this is still under consideration". At the hearing, the Defendants responded to the Claimant's corresponding reproach by arguing that the Claimant's bilateral offer discriminated against the Defendants and that the pool offer could therefore not be better. This does not go far enough. For an assumed price discrimination in the context of bilateral license negotiations cannot be transferred to a pool license for fundamental reasons alone. This is because a pool license involves the licensing of significantly more patents, including those of other patent proprietors. Furthermore, licensing takes place with a pool royalty that differs from bilateral offers.

The Defendants have also not argued that and why they are also discriminated against regarding the pool royalty already paid by other pool licensees. They have also not argued that and why the Claimant should be obliged under antitrust law to make them a bilateral offer on FRAND terms over and above the offer of the pool license.



It can therefore be assumed, also due to the lack of submissions, that the offer to take a pool license in the patent in suit via the SISVEL pool meets the requirements of antitrust law.

However, if it can be assumed that the SISVEL pool license offer complies with antitrust obligations, the FRAND objection cannot succeed, irrespective of the above statements. Since FRAND can contain many conditions and royalties (FRAND is a range), the Defendant's FRAND objection cannot prevail, regardless of the quality of its counter-offer, because the Claimant has sufficiently complied with its antitrust obligations established by the CJEU in the context of an infringement action.

(...)

c.

The injunction sought by the Claimant in respect of the infringing acts is based on Art. 25(a), Art. 63(1) UPCA and must be granted because there is a risk of repetition due to the infringing acts committed in the past by the Defendants in the Contracting States invoked in the present action. The Defendants may not continue the acts of offering, placing on the market, using, importing or possessing for these purposes in the Contracting States covered by the complaint. Sufficient submissions have been made regarding the national parts of the bundle patent asserted in the present case and their infringement in the respective territories.

In the present case, there are no circumstances to refrain from exercising the court's discretion ("may ... issue") to issue a final injunction. Rather, proportionality 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 fully considered in the context of the consideration of the examined antitrust and contractual compulsory license objection by applying the balanced negotiation programme of the CJEU. Further circumstances that would make it appear necessary from the point of view of proportionality not to issue an injunction in the present case have not been sufficiently demonstrated. The Defendants themselves argue that the requirements of the standard are not mandatory and that there is scope for implementation. Moreover, the Defendants are free to take out a pool license with SISVEL at any time. The requested threat of a penalty payment for injunction (Art. 63(2) UPCA) does not raise any objections. The threat for the measures of



information, information, recall and removal are based on Art. 82(1) and (4) UPCA, R. 354.3 RoP.

The application for destruction of the directly patent infringing products is based on Art. 64 (2) (e) UPCA, the applications for recalling these products from the channels of commerce and definitively removing these products from the channels of commerce are based on Art. 64 (2) (b) and (d), (4) UPCA. According to the wording of the UPCA, definitively removing from the channels of commerce is an independent measure that is separate from the recall. It accompanies the recall, whereby removal can only be considered if the infringer has the factual and legal means to do so. No sufficient reasons have been presented or are otherwise apparent that would oppose the order of these measures, for example from the point of view of proportionality, and that go beyond the consequences resulting from a patent infringement that the infringer must bear. The Defendants can take the offered bilateral license or the pool license at any time. It is equivalent to destruction if the patent infringing functionality is permanently switched off.

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 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 to be able to effectively stop further acts of infringement. 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 that 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 list, which can be analysed with the aid of a computer, is in any case the standard in a business-like bookkeeping system.

The subject of the information is also the requested rendering of accounts. This is also based on Art. 68(3) UPCA, R. 191 RoP. In this respect, the Local Division agrees with the Düsseldorf Local Division (UPC_CFI_7/2023 of 3 July 2024 at F.I.2.b) that the rules contain a substantive entitlement to request information that the infringer needs to be able to check the validity of the information and to obtain indications for its calculation of damages. Efficiency aspects



speak in favour of this, as further stages of the proceedings can be avoided. In addition, within the scope of this right of transmission, the patent proprietor can also request supporting documents for the information under Art. 67(1) UPCA, namely invoices or - if these are not available - alternatively delivery notes. This is because, apart from the interest in the pure information that the patent proprietor receives under Art. 67(1) UPCA, his interest in being able to check the accuracy of this information, at least on a random basis, is also worth recognising. The possibility of redaction provided for in the statement takes account of any confidential information (R. 191 sentence 2, 190.1 sentence 2 RoP).

The requested auditor's reservation allows an appropriate balance to be struck between the interest of the infringed party in receiving accurate information and the legitimate confidentiality interests of the infringer. The determination of the obligation to pay damages is based on Art. 68(1) UPCA and is justified by the infringement established. The Defendants also acted negligently in any event.

Regarding the indirect infringement of the patent in suit by the attacked embodiments, the Claimant's right to prohibit the continuation of the infringement follows from Art. 26(1) UPCA in conjunction with Art. 63(1) UPCA. Art. 63(1) UPCA. The Claimant also has a right to information and transmission of information pursuant to Art. 26(1) UPCA in conjunction with Art. 67 UPCA. Art. 67 UPCA, Art. 8(3)(a), (b) UPCA in conjunction with R. 191 sentence 1 Alt. R. 191 p. 1 Alt. 2 RoP and the payment of provisional damages and the determination of the award damages on the merits (Art. 26(1) UPCA in conjunction with Art. 68(1) RoP). Art. 68(1) UPCA, R. 119 RoP). The threat of coercive measures is governed by Art. 63(2), 82(1) and (4) UPCA, R. 354.3 RoP and applies accordingly to the decisions on indirect infringement. Reference is also made to the above statements.

The award of costs is based on Art. 69(2) UPCA, R. 118.5 RoP. In view of the partial defeat of the Claimant regarding the defence of exhaustion concerning products with Qualcomm modems, a ratio of 80 to 20 in the infringement action appears to be appropriate. On the one hand, according to the Defendant, success with this defence would enable a considerable reduction in the certainty of enforcement; on the other hand, the carve-out is subject to post-litigation device-specific proof that the product was first placed on the market in the European Union during the relevant period. It must also be considered that exhaustion only applies until



[redacted], while the injunction extends until the expiry of patent protection, i.e. until 2036 at the longest.

Pursuant to Art. 82(2) UPCA, R. 118.8 sentence 2 RoP, the court may make any order or measure subject to the provision of a security, which it shall fix. 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 if the judgement is subsequently set aside. In the present case, the requirement to provide security is rightly not in dispute between the parties. The Claimant is domiciled in China. In this respect, difficulties in the enforcement of a costs order are to be expected. The panel exercises its discretion to order partial security as requested. Regarding the orders to communicate information and render accounts, the sum of € 50,000.00 proposed by the Claimant appears to be appropriate, otherwise the sum of € [redacted] proposed by the Defendants if the defence of exhaustion is successful. Insofar as the Defendants can enforce a pro rata reimbursement of costs, 110 per cent of the amount to be enforced appears to be appropriate. Due to the partial agreement of the parties regarding the text of a possible deed of guarantee (cf. Exhibit K93), the Chamber leaves the parties the choice between cash deposit and submission of a bank guarantee deed.

The orders are enforceable.

(...)

B.

The Defendant's preliminary objection pursuant to R. 19 RoP is dismissed.

The Defendants' counterclaims for revocation are dismissed.

(...)