
Obligations of SEP holders and SEP users (Higher Regional Court of Karlsruhe, judgment dated October 30, 2019, docket no.: 6 U 183/16)

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The decision rendered by the Higher Regional Court of Karlsruhe (“Higher Regional Court”) relates to the specification of various criteria regarding the enforcement of standard-essential patents laid down by the Court of Justice of the European Union (“CJEU”) in its decision *Huawei v. ZTE* (CJEU, July 16, 2015 – C-170/13). The Higher Regional Court addresses, *inter alia*, the requirements for the notice of infringement by the patent holder, the parties’ possibilities of subsequently performing omitted acts, the issue of the necessity of presenting third-party license agreements, and the scope of the claim for rendering of accounts in case of a lack of FRAND-compliant conduct by the SEP holder.

1. Facts of the case

The Plaintiff holds a European standard-essential LTE patent with effect on the Federal Republic of Germany, *inter alia*, relating to a method of and apparatus for compiling data packets. The Defendant offers and distributes LTE-enabled mobile telephones in the Federal Republic of Germany.

The Plaintiff filed a complaint for infringement with the Regional Court of Mannheim (“Regional Court”). The Regional Court rendered an order for injunctive relief, information/rendering of accounts, destruction, recall and damages against the Defendant.

The Defendant filed an appeal against this decision with the Higher Regional Court, requesting that the judgment be rescinded and the complaint be dismissed, and also filed a counterclaim for the presentation of third-party license agreements. With its decision of October 30, 2019, the Higher Regional Court dismissed the counterclaim on the grounds of its unfoundedness, amended parts of the judgment of the Regional Court, and rejected the requests for injunctive relief and recall.

2. The decision of the Court of Justice of the EU

The Higher Regional Court justified its decision by the fact that the Plaintiff abused its dominant position pursuant to Art. 102 TFEU. In particular, the parties were in dispute about whether the requirements for the abuse of a dominant market position pursuant to Art. 102 TFEU were met. In its decision, the Higher Regional Court specifies numerous of the criteria laid down by the CJEU in “*Huawei v. ZTE*” for the assertion of the defense of abuse under antitrust law with respect to standard-essential patents (FRAND criteria).

The Plaintiff had not sent the notice of infringement required by the CJEU in “*Huawei v. ZTE*” to the Defendant itself, but to the Defendant’s parent company which is responsible for license negotiations and licensing in the group. According to the Higher Regional Court, this was the correct recipient of the notice.

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Additionally, according to the Court, the notice of infringement does not necessarily have to include claim charts. The Court states that it is required that the notice of infringement enables the patent user to get an impression of the quality of the infringement accusation and obtain clarity about the interest in a license – obtaining help from an expert or legal advice, as the case may be. In the present case, the Higher Regional Court was satisfied with the mention of the patent-in-suit and the patent claim asserted, making reference to the relevant section of the LTE standard which implements the teaching of the patent-in-suit.

According to the Higher Regional Court, the Defendant had missed the deadline for indicating its willingness to take a license. The Higher Regional Court is of the opinion that the examination and consideration time limit which the patent user is to be granted regarding the license request, usually does not exceed two months. It states that the time limit merely serves the purpose of getting a first overview of the quality of the infringement accusation and, thus, is relatively short. However, according to the Higher Regional Court, the Defendant had the possibility of rectifying the omission of indicating its willingness to take a license during the pending litigation. The Higher Regional Court is of the opinion that both obligations of the infringer omitted before proceedings and omitted obligations to negotiate of the SEP holder - may be fulfilled subsequently during pending legal proceedings. In this context, the Court stipulates that the first-time fulfilment of negotiation obligations by the SEP holder after having filed the complaint is subject to the precondition that the Plaintiff ensures a negotiating situ-

ation free from pressure by a corresponding procedural situation. Accordingly, plaintiffs are generally under the obligation to request a stay of proceedings pursuant to Sec. 251 (1) German Code of Civil Procedure (ZPO) or, as the case may be, suggest a mutually agreed suspension of the legal proceedings pursuant to Sec. 148 German Code of Civil Procedure in view of pending validity proceedings.

Furthermore, the Higher Regional Court found that the explanation and information obligations of the SEP holder regarding the license offer also comprise demonstrations as to objective circumstances which enable the patent user to understand that the license offer complies with FRAND criteria. A complete disclosure of license agreements concluded with third parties is not demanded by the Higher Regional Court in this context. However, the Court states: If the SEP holder concluded license agreements on different terms with third parties, it regularly has to make demonstrations regarding the essential terms of third-party license agreements from which the patent user can gather whether and, as the case may be, to which extent and for which reasons it faces unequal terms. At any rate, the Higher Regional Court does not see any relevant reason preventing such demonstration in more detail if a non-disclosure agreement between the patent holder and the patent user seems feasible. In lack of explanations of the objective circumstances of a third-party license agreement, the Higher Regional Court found that the Plaintiff had not fulfilled its information obligation. Accordingly, it stated, the Plaintiff did not fulfil its negotiation obligations under “Huawei v. ZTE”, which means that the assertion of claims for injunctive relief and recall is abusive within the meaning of Art. 102 TFEU.

Regarding the rendering of accounts, the Higher Regional Court deems the statement of cost and profit to be necessary and reasonable on principle. The Higher Regional Court justifies its opinion with the fact that the usual return on turnover might need to be taken into account when determining a claim for reimbursement by way of license analogy, particularly in cases in which the amount of the FRAND royalties is in dispute (of the same opinion: Regional Court of Mannheim, GRUR-RR 2018, 273 marginal no. 76).

With its counterclaim the Defendant sought the presentation of agreements with third parties. The Higher Regional Court rejected such a claim, stating that such a claim arises neither directly from Art. 102 TFEU nor from Secs. 809 et seq. German Civil Code.

Comments and practical notes

The decision is another step by the courts of lower instances of specifying the criteria for antitrust-compliant conduct in SEP litigation proceedings laid down by the CJEU in *Huawei v. ZTE* which can essentially be summarized in four steps. However, due to an inconsistent implementation of these criteria by the relevant courts of lower instances in Mannheim/Karlsruhe, Duesseldorf and Munich, the law is still not applied in a harmonized manner. Thus, SEP holders are still well-advised to take these differences into account for their pre-procedural conduct and, particularly, for choosing the court.

In a first step, in which the SEP holder has to notify the patent user of infringing an SEP, an indication of the patent and the infringing products is usually sufficient. The Higher Regional Court does not deem claim charts necessary, at least not if the patent user is enabled to get an impression of the quality of the infringement accusation (as opposed to this, the Higher Regional Court of Duesseldorf had requested the

presentation of claim charts, see Higher Regional Court of Duesseldorf, order dated November 17, 2016 – 15 U 66/15; BeckRS2016, 21067, marginal no. 27).

In a second step, the user has to declare its willingness to take a license based on the SEP on FRAND terms insofar as the patent is used and valid (“*willing licensee*”). According to the Higher Regional Court, the user usually has to do so within two months. However, the Higher Regional Court clarified that rectifying an omission of the notification of the willingness to take a license is still possible during the proceedings. This had been ruled out by the Regional Court of Mannheim (see Regional Court of Mannheim, judgment dated July 1, 2016 – 7 O 209/15; BeckRS 2016, 18389).

In a third step, the SEP holder has to make a license offer to the user on fair, reasonable and non-discriminatory (FRAND) terms. Where they exist, comparable license agreements between the SEP holder and third parties are regularly used for this

evaluation. If the market, i.e. comparable licensees, accept these license terms, it is a clear indicator that the terms are FRAND (“market acceptance”). The Higher Regional Court postulates that a disclosure of these license agreements is not necessary in so far as the SEP holder at least explains the content of the essential terms of the license agreement in such a manner that the prospective licensee can gather from it whether and for which factual reasons it is faced with unequal economic conditions. In contrast, the courts in Duesseldorf currently usually have higher requirements, requesting the disclosure of all license agreements with third parties for the purpose of proving that the user is not discriminated against (Kühnen, *Handb. der Patentverletzung*, 12th edition 2020, Chapter E, marginal no. 335).

In a fourth step, the user, having declined the license offer, makes a FRAND counteroffer. If the patent holder refuses to accept the counteroffer, the user has to provide a security in the amount of its own counteroffer and render accounts. The courts in Duesseldorf currently only request a counteroffer if it is possible to ascertain that the offer made by the SEP holder complies with FRAND criteria (consecutive approach, see Higher Regional Court of Duesseldorf, GRUR 2017, 1219 – *Mobiles Kommunikationssystem*, also see Kühnen, *Handb. der Patentverletzung*, 12th edition 2020, Chapter E, marginal nos. 364, 377). Thus far, a weighing consideration of the overall conduct of both parties has been the approach in Mannheim (holistic approach) (see Regional Court of Mannheim, judgment dated January 29, 2016 – 7 O 66/15, also see Kühnen, *Handb. der Patentverletzung*, 12th edition 2020, Chapter E,

marginal nos. 377, footnote 632). At least the Munich courts of first instance seem to follow the holistic approach (see “*Notice on handling the defense of compulsory license under antitrust law according to Huawei v. ZTE within Munich proceedings in patent litigation*” (last updated: February 2020, last paragraph of p. 2) which, however, have not yet had the opportunity of commenting on this aspect in any decisions.

Regarding the legal implications which the defense of compulsory license under antitrust law has on the claim for a rendering of accounts, the Higher Regional Court of Karlsruhe also takes a stance deviating from the case law of the Higher Regional Court of Duesseldorf. The Higher Regional Court of Duesseldorf assumes that a patent infringer is only obligated to render accounts regarding the payment of FRAND royalties, not regarding costs and profits, since the claim for damages pursuant to Sec. 139(2) German Patent Act (PatG) is limited to this amount (Higher Regional Court of Duesseldorf, judgment dated March 22, 2019 – 2 U 31/16; of the same opinion: Kühnen, loc. cit. Chapter E, marginal no. 431).

Currently, the practice of applying the law in Mannheim/Karlsruhe is probably more attractive for SEP holders than in Duesseldorf in numerous case constellations; but this has to be assessed based on each individual case, and proceedings before the courts of lower instances and the developments in Munich should also be monitored once they make more specific statements in decisions and the stance of the Higher Regional Court of Munich on this matter is clear.



At any rate, what becomes clear is that rectifying omitted acts is now also possible in Mannheim and Karlsruhe, provided that the negotiating situation is free from pressure – a stance which the courts in Munich also tend to take. Thus, the practice in Duesseldorf which essentially corresponds to that in Mannheim and Karlsruhe and has already existed for quite a while, seems to have resulted in an increased harmonization of the case law of the most relevant German patent litigation jurisdictions at least under this aspect.

In contrast, the presentation of (comparable) third-party license agreements is not necessarily required in Mannheim/Karlsruhe – in deviation from Duesseldorf. This aspect is especially relevant where the SEP holder wants to or has to keep parts of third-party license agreements confidential. What has not been clarified is the question whether and to which extent submissions also have to be made regarding third-party license agreements concluded by previous holders of the SEP and/or which rules apply if the SEP holder is neither aware of nor owns such agreements and cannot reasonably gain access to them either.