



FEDERAL COURT OF JUSTICE
ON BEHALF OF THE PEOPLE
JUDGEMENT

KZR 36/17

Pronounced on:
5 May 2020
Anderer
Judicial employee
as clerk of record of
the office

in the lawsuit

SISVEL International S.A., represented by its Board of Directors, 6 Avenue
Marie-Thérèse, Luxembourg (Luxembourg)

Plaintiff, Appellant and Follow-up appeal
defendant

- Attorneys of Record: Attorneys Prof. Dr. Rohnke und Dr. Winter -

versus

1. Haier Deutschland GmbH, represented by its managing director, Hewlett-Packard-Straße 4, Bad Homburg,
2. Haier Europe Trading SRL, Avenue Charles de Gaulle 115-123, Neuilly-sur-Seine (France),

Defendants, Defendant in the appeal and Follow-up appeal plaintiffs

- Attorneys of Record: Attorneys Dr. Baukelmann and Tretter -

ECLI:DE:BGH:2020:050520UKZR36.17.0

The Cartel Senate of the German Federal Court of Justice responded to the oral hearing of 5 May 2020 by the presiding judge Prof. Dr. Meier-Beck, the judges Dr. Berg and Dr. Tolkmitt and the judges Dr. Rombach and Dr. Linder and

has given the following ruling:

On the plaintiff's appeal, the judgement of the 15th Civil Senate of the Düsseldorf Higher Regional Court of 30 March 2017 is set aside, rejecting the defendant's subsequent appeal on the point of costs and to the extent that the court of appeal found to the plaintiff's disadvantage and the judgement of the 4a Civil Chamber of the Düsseldorf Regional Court of 3 November 2015 is not ineffective on the basis of the parties' concordant declarations of execution (declaration of discontinuance). To the extent of the annulment, the defendant's appeal against the judgement of the 4a-Civil Chamber of the Düsseldorf Regional Court of 3 November 2015 is dismissed with the proviso that the words "during call set-up" are inserted in the text (I. 1) specifying the mobile stations after "user data rate negotiation" and that the sentence of

destruction (I. 4) is limited to those products in the direct or indirect possession or ownership of Defendant 1 that Defendant 1 had in possession or ownership until September 25, 2016, and the order to recall (I. 5) is limited to those products that were manufactured and delivered until September 25, 2016.

Sets aside the costs of the proceedings at first and second instance and orders the defendants to pay the costs of the appeal proceedings.

By law

Statement of facts:

1 Since August 8, 2012, the plaintiff is the owner of the German part of the European patent 852 885 (plaintiff's patent), which was filed on September 25, 1996, claiming the priority of a Finnish application filed on September 25, 1995, and expired during the appeal proceedings due to expiration of time. The applicant and initially registered proprietor was Nokia Oy. The Patent Court (judgement of 6 October 2017 - 6 Ni 10/15 EP) has declared the patent in suit null and void, dismissing the remainder of the action, to the extent of claim 12, which is relevant here, to the extent that it goes beyond the following wording (changes from the granted version are highlighted):

"A mobile station (MS) for a digital mobile communication system, characterized by comprising

at least one data call bearer service which covers several user data rates and which is determined for the mobile subscriber at the subscriber database of the mobile communication network,

means for carrying out a user data rate negotiation during call set-up for setting the user data rate to be used in a data transfer with the mobile communication network (BTS, BSC, MSC) and for establishing the data call with radio channel resources allocated according to the user data rate negotiated."

2 The appeal lodged by the defendant against this was unsuccessful (Federal Court of Justice, judgement of 10 March 2020 - X ZR 44/18, juris)

3 The defendants belong to the same group. Defendant 1 distributes mobile phones and tablets in Germany. The two defendants offered mobile phones and tablets at the International Electronics Fair in Berlin in September 2014. The mobile telephones and tablets challenged by the applicant support the GPRS (General Packet Radio Service) service. This is an extension of the GSM standard (Global System for Mobile Communications Standard). Both standards are under the responsibility of the European Telecommunication Standard Institute (ETSI).

4 On 10 April 2013, the plaintiff made a detailed commitment to ETSI as set out in Exhibit AR 3, according to which the plaintiff was prepared to license, inter alia, the plaintiff patent on fair, reasonable and non-discriminatory (hereinafter: FRAND) terms.

5 The plaintiff considers the offer of the contested mobile phones and tablets an infringement of its rights under the patent in suit. It ordered the defendants to cease and desist, provide information, render accounts, destroy and recall the goods and to establish their obligation to pay damages. The regional court sentenced the defendants as requested.

6 In the appeal proceedings, the parties have unanimously declared the application for an injunction to be settled in view of the expiry of the term of protection of the claim patent. The plaintiff has defended the regional court ruling with the proviso that the further applications are limited to acts of infringement until September 25, 2016. The Court of Appeal has limited the determination of the obligation to pay damages to the damage caused by acts committed up to 25 September 2016. The court of appeal has dismissed the requests for information and accounting as currently unfounded insofar as information on costs and profit is demanded, as well as the request for destruction and recall.

7 In its appeal, which was allowed by the Court of Appeal, the plaintiff challenges the judgement on appeal and, to the extent that the Court of Appeal ruled against it, seeks to have the regional court's judgment restored in respect of the part of the dispute that was not declared to be settled. At the hearing before the Senate, the plaintiff made it clear that the requests would only be pursued further in accordance with the limited version of the patent in suit and, with regard to the requested destruction, only with regard to products which the defendant had in its possession or property between 1 and 25 September 2016 and, with regard to the requested recall to products which were manufactured and supplied until 25 September 2016. In their subsequent revision, the defendants object to their conviction.

Grounds of the decision:

8 The admissible appeal leads, to the extent requested by the plaintiff, to the restoration of the judgement of the Regional Court, insofar as the parties have not unanimously declared the dispute to be settled in the main proceedings; the defendant's subsequent appeal remains unsuccessful.

9 I The court of appeal accepted without error of law that by offering and selling the attacked mobile radio devices, the defendants made use of the technical teaching of the asserted patent claim and thus infringed the patent in suit.

[No. 10 – 46: Technical assessment of infringement – not translated]

47 11 The conclusion of the Court of Appeal that the motions of plaintiff aiming at a verdict against defendants for destruction and recall of patent infringing products nevertheless would be unsuccessful because the antitrust objection of compulsory license of the defendants would be successful and that thus also the motions for damages and information would only be founded in a limited way cannot be upheld upon revision on appeal.

48 1. The Court of Appeal has explained in its decision insofar mainly the following: Plaintiff would have a market dominant position according to Art. 102 TFEU. A mobile station without GPRS access would not be competitive. The assertion of the aforementioned claims in court would amount in an abuse of a market dominant position according to the principles set by the European Court of Justice in the decision Huawei/ZTE. Although the plaintiff had complied with its pre-procedural obligation of information, it had not submitted a FRAND offer to defendants in spite of their pre-procedurally declared and continued willingness to take a license.

49 Even though the declaration of willingness to take a license was only declared about a year after the first indication of infringement, this would not be relevant. The not timely completion of a necessary step of a party would not lead to substantive foreclosure and the respective step could be performed later before the filing of the action. Also, in the following no circumstances would have shown up that would lead to the conclusion that the willingness of the defendant or its group mother to take a license would have fallen away in the mean time.

50 The offers made by plaintiff would be an evident discrimination of the defendant. With its license offers, the plaintiff would treat the defendants unequal without any objective reason vis-à-vis one of its licensees, a state-owned Chinese company in view of the amount of the license fees. Compared to the standard license agreement published on its website, the license offers to defendants would not contain a discount for the past or the future. On the other hand, the license agreement with the third party contained a discount compared to the standard license agreement which would lead to the conclusion that the defendants would have to pay multiple times higher license fees for the past and the future. The immensely high differences could not be justified as sector specific usual amount discounts nor by the influence of Chinese authorities on the conclusion of the third party agreement. Further particularities as the character of the third party licensee as reference customer, the specific risk distribution in the lump sum license agreement of the different procedural situation in view of the expectations of success for asserting the patent in suit could in any case not individually nor taken together justify the amount of the granted discount when taking all circumstances into consideration. The plaintiff neither could claim successfully that the defendants had no interest in the conclusion of a license agreement on the basis of a lump sum. There were not sufficient indications that defendants would have rejected lump sum payments in general. The question whether the counter-offers of defendants would comply with FRAND conditions would not be relevant in view of the lack of a FRAND offer by the plaintiff.

51 On the other hand, the enforceability of the claims for information and damages would in principle remain untouched. However, the damages to be paid would be limited in its amount to the amounts due on the basis the application of a license analogy. As long as the license seeker complied with its obligations, he would only be liable for damages on the basis of a FRAND license fee. Thus, also the information claims would only need to comprise such data which would be necessary to calculate the damages according to this method. Information on costs and profits would not be necessary for this, therefore also in this respect the action would for the moment be unfounded.

52 2. The appeal rightly challenges the conclusion of the Court of Appeal that the plaintiff had abused a market dominant position according to Art. 102 TFEU.

53 a) Without success, however, the appeal challenges the affirmation of the plaintiff's norm addressee status pursuant to Art. 102 TFEU by the Court of Appeal.

54 aa) During the period of protection of the patent in suit, the plaintiff held a dominant position derived from the patent.

55 (1) It is correct that the Court of Appeal assumed that dominant position within the meaning of Article 102 TFEU means a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by giving it the opportunity to behave to an appreciable extent independently of its competitors and customers (ECJ, judgement of 14 February 1978, Rs. 27/76, Slg. 1978, 207 margin no. 63/66 = NJW 1978, 2439, 2440 – United Brands/Commission; judgement of 19 April 2012 – C-549/10 P, WRP 2012, 680 margin no. 38 – Tomra; Federal Court of Justice, decision of 16 January 2007 – KVR 12/06, BGHZ 170, margin no. 19 – National Geographic II; judgement of 24 January 2017 - KZR 47/14, WRP 2017, 563 marginal 25 - VBL equivalent II).

56 (2) As the Court of Appeal did not fail to recognize, the applicant's dominant position does not follow from the mere fact that, by virtue of the exclusive right conferred on it, it was able to exclude any third party from using the technical teaching of the patent in suit. The exclusive rights to which the owner of an intellectual property right is entitled cannot in themselves create a dominant position (ECJ, judgement of 6 April 1995 - C-241/91, Slg. 1995, 1-743 = EuZW 1995, 339 margin no. 46 - Magill TV Guide; Federal Court of Justice, judgement of 13 July 2004 - KZR 40/02, BGHZ 160, 67, 74 - Standard bung barrel).

57 (3) A dominant position generally results from a combination of several factors which, taken separately, are not necessarily decisive (ECJ, NJW 1978, 2439, 2440 - United Brands/Commission). In this context, the definition of the affected market is of major importance (ECJ, judgement of 26 November 1998 - C-7/97, Sig. 1998, 1-7791 = WRP 1999, 167 margin no. 32 - Oscar Bronner/Mediaprint; BGHZ 160, 67, 73 – Standard bung barrel). The definition of a relevant supply market basically follows the demand market concept. According to this, the relevant product or service market comprises all products or services which, due to their characteristics, are particularly suitable for satisfying a constant demand and are only to a small extent interchangeable with other products or services (see ECJ, Slg. 1998, 1-7791 margin no. 33 - Oscar Bronner/Mediaprint; BGHZ 160, 67, 73 f. – Standard bung barrel). If an industrial standard (as here) or another set of rules and regulations (de facto standard) observed by the consumers like a standard, a standardized design protected by industrial property rights is prescribed for a product which - from the point of view of the market's opposite side - cannot be substituted by another product, the granting of rights which enable potential suppliers of this product to launch it on the market regularly forms a separate market upstream of the product market (BGHZ 160, 67, 74 – Standard bung barrel; see ECJ, judgement of 29 April 2004 - C-418/01, Slg. 2004, 1-5039 = WRP 2004, 717 margin no. 44 - IMS Health).

58 (4) The acceptance of such an independent licence market requires thus, first of all, the statement that the patent is essential to the standard, i.e. that the use of the patent-protected teaching is indispensable for the implementation of a standard (standardised by a standardisation organisation or enforced on the market) (BGHZ 160, 67, 74 – Standard bung barrel), so that it is usually technically impossible to circumvent it without losing important functions for the product market (cf. ECJ, WRP 2015, 2783 margin no. 49 - Huawei/ZTE; European Commission, decision of 29 April 2014 - C (2014) 2892 margin no. 52 - Motorola). In addition, a prerequisite for an independent licence market is that the technical teaching corresponding to the patent and the standard cannot be substituted by a different technical design of the product (cf. ECJ, ECR 2004,1-5039 para. 28 - IMS Health; BGHZ 160, 67, 74 – Standard bung barrel).

59 (5) The patent in suit is a standard essential patent. As explained (margin no. 36 et seq.), a mobile station which complies with the GPRS standard necessarily makes use of the features of claim 12 of the patent in suit. As the court of appeal has stated without objection by the parties, the requirements are mandatory. Thus, the decisive factor is that the use of the patentable technical teaching cannot be substituted by a different technical design of the mobile stations (see BGHZ 160, 67, 74 – Standard bung barrel). According to the unobjected findings of the court of appeal, compliance with the GPRS standard is also mandatory for every mobile phone. It is not possible to switch to another technology, in particular to the predecessor version of GPRS (GSM) or to the successor standards (UMTS or LTE), because the predecessor version does not provide fast, competitive data transmission and sufficient network coverage for the successor standards is not always guaranteed. In conclusion, a mobile phone without GPRS is not competitive, and a non-standard device is therefore not substitutable with a non-standard mobile phone from the point of view of the other side of the market.

60 According to the unobjected findings of the Court of Appeals, this applies in particular to the technology in question here. Mobile devices that do not allow a negotiation on the data rate in the sense of the patent in suit require a multitude of carrier services. The available higher transmission speeds cannot be used in this way, so that mobile devices without the standard essential and patented technology are too slow compared to mobile devices with this technology.

61 bb) The Court of Appeal has not failed to recognize that in spite of the access denial mediated by the standard - and the resulting monopoly position on the licensing market relevant here - there may be exceptional reasons which may exclude the market dominance of the holder of a standard essential patent (see England and Wales Court of Appeal, judgment of 23 October 2018, [2018] EWCA Civ 2344 margin no. 225 et seq. - *Unwired Planet v Huawei*; Meyer in: 80 years of patent jurisdiction in Düsseldorf, pp. 377, 389). However, it has not been able to find evidence to that effect either in the parties' submissions or in the circumstances of the case. The appeal is unsuccessful in arguing that the Court of Appeal failed to recognise that significant countervailing power of patent users limits market power.

62 (1) The decisive factor in determining whether a dominant position of the plaintiff can be affirmed is not its bargaining power vis-à-vis a particular party, but the economic power which the applicant's patent confers on it in relation to the entire market. Contrary to the view taken in the appeal, market power in the granting of patent licences cannot therefore be determined in relative terms, namely with regard to the strength of the relationship between a specific customer for the licence and the patent holder.

63 (a) It is true that the structure of the demand market for patent licensing is different from that for goods and services. While in the case of the latter, the customer is dependent on the conclusion of a contract with the supplier with market power in order to have access to the goods and services, the patent user is able to use the patent-compliant teaching disclosed in the patent and the standard even without an agreement with the patent holder. However, contrary to the opinion of the

plaintiff, it does not follow from this that market power of the owner of a standard essential patent can only exist if the risk of legal action against an infringer is so high that the infringer is typically prepared to conclude a licence agreement on conditions which are considerably less favourable than would be the case under market conditions. This is because the structurally superior position of power of the patent holder does not result from his negotiating power when negotiating licence conditions, but rather from the legal possibility to demand that third parties do not bring or remain on the market any products conforming to the invention, to prevent this, if necessary, by an action for injunction, recall of the products and destruction and thus to reserve the manufacture of these products for himself (or a licensee) (cf. ECJ, WRP 2015, 1080 margin no. 52 - Huawei/ZTE). A market access barrier already results from the fact that these legal obstacles make it unreasonable for any company to operate on the market without prior licensing (cf. ECJ, judgement of 29 April 2004 - C-418/01, Slg. 2004, 1-5039 = WRP 2004, 717 margin no. 28 - IMS Health).

64 (b) It is obvious that the limitation of the claims of the owner of a standard essential patent resulting from the patent infringement considerably weakens his negotiating position, since the means of pressure necessary for equal license negotiations are only available to a limited extent. This can have an effect in particular in cases where the infringer tries to delay the conclusion of negotiations until the patent has expired ("patent hold-out" or "reverse patent hold-up", see Opinion of Advocate General Wathelet of 20 November 2014 - C-170/13, juris margin no. 42). However, this cannot fundamentally call into question the patent proprietor's dominant position on the market, but must (only) be taken into account when assessing the abusiveness of the judicial assertion of the patent in the - always necessary - weighing of the mutual interests. For only the assessment of the conduct of a patent proprietor as an abuse legitimises the restriction of his rights and leads to the limitation of the enforceability of a patent.

65 (2) The market dominant position of the holder of a standard essential patent only exists to the extent and for as long as the legal position of the patent holder can prevent products conforming to the patent from coming or remaining on the market (ECJ, WRP 2015, 1080 margin no. 52 - Huawei/ZTE). This legal position regularly ceases to apply after the expiry of the term of protection of the respective patent, since claims against patent infringers directed into the future are eliminated. Admittedly, the expiry of the term of protection only leads to the complete loss of the claims to destruction and recall under Sec. 140a (4) Patent Law in the case of disproportionality within the meaning of Sec. 140a (1), (3) Patent Law. Otherwise, the claims are limited to such products which the infringer had been in possession or ownership of up to that time or which were manufactured and delivered up to that time (Grabinski/Zulch, in: Benkard, Patentgesetz, 11th ed., Sec. 140a PatG margin nos. 9, 16; Kuhnen, GRUR 2009, 288, 291). This follows from the fact that the purpose of the claims mentioned is not limited to the elimination of the consequences of a (continuing) patent infringement, but that Sec. 140a PatG establishes independent claims which also have a general and special preventive deterrent effect and are intended to have a sanctioning character (Draft Act on Combating Product Piracy, BT printed matter 11/4792, 27 et seq.; Kühnen, GRUR 2009, 288, 292). However, after the expiration of the property right, the patent proprietor can no longer generally prevent products in accordance with the invention from being put on the market. Thus, the structurally superior power position of the patentee no longer applies.

66 cc) According to Art. 102 TFEU, the dominant position must exist in the single market as a whole or at least in a substantial part of it, as the Court of Appeal has also recognized. For this purpose, the dominance of the market in the territory of the Federal Republic of Germany, as a substantial part of the single market, as correctly established by the Court of Appeal, is sufficient (see ECJ, judgement of 9 November 1983 – Rs 322/81, Slg. 1984, 3461 margin no. 103 – Michelin/Netherlands; judgement of 26 November 1998 – C-7/97, WRP 199 margin no. 36 – Oscar Bronner/Mediaprint).

67 b) However, the findings of the Court of Appeal do not justify the assumption that the plaintiff has abused that dominant position.

68 aa) An action brought by a market-dominant patent holder who has undertaken vis-à-vis a standardization organization to grant licenses on FRAND terms may constitute an abuse of his dominant position if and to the extent that it is suitable to prevent products conforming to the standard from entering or remaining available on the market (ECJ, WRP 2015, 1080 margin nos. 54 et seq. - Huawei/ZTE; BGHZ 180, 312 margin nos. 22 et seq. - Orange Book Standard). According to this, applications for an injunction (BGHZ 180, 312 margin no. 22 - Orange Book Standard), recall and removal of products from the distribution channels (ECJ, WRP 2015, 1080 margin no. 73 - Huawei/ZTE) or destruction (Higher Regional Court Düsseldorf, GRUR 2017, 1219 margin no. 220; Higher Regional Court Karlsruhe, GRUR 2020, 166 margin no. 87) can be abusive.

69 (1) Even the owner of a standard essential patent, however, is not absolutely prohibited from enforcing his patent on the product market by asserting injunctive and other claims (ECJ, WRP 2015, 1080 para. 46 - Huawei/ZTE). For the standard essentiality does not change the fact that the patent holder only has to tolerate the use of his patent if he has either consented that the person who makes use of his technical teaching to do so or in any case has to provide his consent in compliance with his obligation not to abuse his market power (cf. ECJ, WRP 2015, 1080 margin no. 53, 58 - Huawei/ZTE).

70 (2) In turn, the obligation to license presupposes that the person who intends to use or has already used the patent and has already brought patent-compliant products onto the market although he does not have a license is also prepared to take a license for this patent on reasonable and non-discriminatory terms (ECJ, WRP 2015, 1080 margin no. 54 - Huawei/ZTE; BGHZ 180, 312 margin no. 27 - Orange Book Standard). Even the patent holder with market power does not have to impose the taking of a licence on anybody and has no legal means to do so, as the

potential licensee can demand the conclusion of a licence agreement from him, but the patent holder is not entitled to such a claim, instead, he is referred to enforce claims for patent infringement against those who want to use the teaching in accordance with the invention, but do not want to conclude a license agreement for this.

71 (3) It therefore constitutes an abuse of the dominant position if the patentee asserts claims for injunction, destruction and recall of products although the infringer has made him an unconditional offer to conclude a license agreement on conditions which the patentee may not refuse without violating the prohibition of abuse or discrimination (BGHZ 180, 312 margin no. 27, 29 - Orange Book Standard).

72 (4) In addition, an action for assertion of such claims may also be considered abusive if the infringer has not (yet) agreed to conclude a licence agreement under certain reasonable conditions, but the patent proprietor bears the responsibility for this as he has not made sufficient efforts to meet the special responsibility associated with the dominant position and to enable an infringer who is in principle willing to licence to conclude a licence agreement under reasonable conditions (cf. ECJ, WRP 2015, 1080 margin no. 54 et seq. - Huawei/ZTE).

73 (a) It follows from this that the patent proprietor must first notify the infringer of the infringement of the patent in suit in case the infringer is not aware that by implementing a technical solution required by the standard he is unlawfully making use of the teaching of the patent in suit (ECJ, WRP 2015, 1080 margin no. 60-62 - Huawei/ZTE).

74 Admittedly, it is in principle up to the infringer to ensure, before commencing the manufacture or distribution of a technical product, that this does not infringe any technical property rights of third parties (Federal Court of Justice, judgement of 19 December 2000 - X ZR 150/98, GRUR 2001, 323, 327 – temperature controller). In

view of the large number of patents which may affect a product, particularly in the field of information and telecommunications technology, it is regularly associated with considerable difficulties to obtain a complete and reliable overview of all relevant industrial property rights, particularly as this may require a more detailed examination of the subject matter and scope of protection of a large number of patents in individual cases (cf. ECJ, WRP 2015, 1080 margin no. 62 - Huawei/ZTE). In contrast, the patent proprietor who wants to assert a claim against the (alleged) infringer for patent infringement has already examined the infringement allegation. In addition, the manufacturer of a standard-compatible product may expect that he may use the teaching of a standard essential patent anyway - even if only on the basis of a licence agreement on reasonable conditions (ECJ, WRP 2015, 1080 margin no. 53, 64 - Huawei/ZTE). The dominant patent proprietor may therefore not seek injunctive relief from the infringer who is unaware of the infringement without informing him of the infringement of the patent in suit and thus giving him the opportunity to assert his claim to the conclusion of a licence agreement on reasonable terms and thus to avert the enforcement of the patent proprietor's right to injunctive relief (cf. ECJ, WRP 2015, 1080 margin no. 71 - Huawei/ZTE).

75 (b) The market dominant patentee may also be prohibited to seek an injunction against the infringer informed of the infringement of the patent in suit, if the infringer has declared that he wishes to take a licence on the patent in suit, but is not or in any case not easily able to formulate on his own initiative the conditions which the patent proprietor must grant him in compliance with the prohibition of discrimination and obstruction applicable to him (cf. ECJ, WRP 2015, 1080 margin no. 63 et seq. - Huawei/ZTE).

76 It is indeed in principle up to the company seeking a licence to object to a licence claim of the patent holder that this would violate the prohibition of discrimination or obstruction. In this respect, the principles relating to the burden of

proof and demonstration in proceedings also apply to the parties' extrajudicial obligations. The burden of proof and demonstration for unequal treatment and obstruction is also borne by the license seeker in proceedings, whereas the patent proprietor bears a primary burden of proof and demonstration for an objective reason for unequal treatment (Art. 2 of Regulation 1/2003). However, as in the case of a procedural secondary burden of proof, the patentee may be obliged to substantiate his licence claim in detail in order to enable the person seeking a licence to verify whether the licence claim constitutes an abuse of the dominant position on account of the amount of the licence fee or other conditions of the licence offered. Otherwise, the company seeking a license would be forced to either run the risk of being ordered to cease and desist from the patent owner's patent infringement action, or to accept a potentially abusively excessive royalty claim or other potentially abusive contractual conditions, in order to safely exclude the risk of being ordered to cease and desist.

77 The obligation of the market dominant patentee to explain and justify the licensing conditions which he considers fair, reasonable and non-discriminatory (FRAND) is important not only, but in particular, if the patentee is not willing to grant a licence only for the patent which he wants to claim and which he is prepared to assert in court proceedings, but wants to allow the use of this patent only within the framework of a portfolio licence or another licence agreement comprising further property rights.

78 In any case, such a linkage with other intellectual property rights is in principle unobjectionable under cartel law insofar as it is not linked to claims which oblige the licensee to make payments for the use of non-essential patents, and the remuneration is calculated in such a way that users who wish to develop a product for a specific, geographically limited area are not disadvantaged (cf. Communica-

tion from the European Commission on the EU's handling of standard essential patents of 29 November 2017, COM [2017] 712 final p. 9). This is because even the market-dominating patent holder does not have to accept that the infringer, in order to defend himself against an action for injunction, only wants to take a licence for the patent in suit, but not for the other patents which he also needs for the legal manufacture or legal distribution of a product which complies with the standard. Negotiations on worldwide portfolio licenses are therefore common practice and, from the point of view of efficiency, also benefit the user of the licensed property rights (Communication of the European Commission of 29 November 2017, COM [2017] 712 final p. 9). At the same time, however, the inclusion of a possibly large number of further patents increases the complexity of the facts which are relevant for the examination whether the contractual terms required of the patent holder are in line with the obligations resulting from his dominant position. The patent proprietor must therefore also provide sufficient information to the infringer wishing to license the patent.

79 (c) To what extent, at what level of detail and at what time the information to be requested from the patentee is required is a question of the individual case and depends in particular on the respective reaction of the infringer (see ECJ, WRP 2015, 1080 margin no. 65 et seq. - Huawei/ZTE)

80 Since the special obligations of conduct imposed on the dominant patent holder are intended to enable the infringer to make lawful use of the patent by concluding a licence agreement on FRAND terms and thus to avert the assertion of a claim for injunctive relief, the obligations of the patent holder do not in any case differ in favour of the infringer from those which also affect the patent holder in other respects by virtue of his dominant position vis-à-vis a company seeking a licence. Otherwise, by using the patent without concluding a licence agreement, the infringer could gain an advantage in competition with those companies which use or intend to use the patent on the basis of a licence agreement on reasonable and non-discriminatory terms.

81 What constitutes reasonable and non-discriminatory terms and conditions of a licence agreement in a particular case usually depends on a variety of circumstances. As in other cases of (possible) abuse of a dominant position, the dominant patentee is not in principle obliged to grant licenses in the manner of a "uniform tariff" which grants equal conditions to all users (BGHZ 160, 67, 78 – Standard bung barrel). Nor does such an obligation arise from the FRAND Declaration of Commitment. This serves to guarantee effective access to the standardisation standard (cf. European Commission, Horizontal Guideline, Official Journal of the EU C 11, 1 margin no. 285, 287). With regard to the prohibition of discrimination, this purpose is satisfied if the conditions set out in Art. 102 para. 2 lit c TFEU and Section 19 (2) no. 3 GWB are observed. The prohibition of second-degree discrimination, i.e. discrimination against the trading partners of a dominant company on the upstream or (in this case) downstream market (Opinion of Advocate General Wahl of 20 December 2017- C-525/16, juris margin no. 74), protects against the distortion of competition between trading partners by discriminatory conditions (ECJ, judgement of 19 April 2018 - C-525/16, WuW 2018, 321 margin no. 24 - MEO; BGHZ 160, 67, 79 – Standard bung barrel; Federal Court of Justice, judgement of 12 April 2016 - KZR 30/14, NZKart 2016, 374 margin no. 48 - Net-Cologne). Furthermore, the commitment under cartel law and the restriction of the scope of action of the market ruler in the vertical relationship aims at enabling negotiation results which are not influenced by the market dominance and which take into account the interests of both contracting parties to a balanced extent. Since appropriate conditions for a contractual relationship, in particular an appropriate price, are regularly not objectively determined, but can only be determined as the result of (possibly similar) negotiated market processes, the serious and goal-oriented participation of the company seeking a license in the negotiation of appropriate contractual conditions is of decisive importance (cf. ECJ, WRP 2015, 1080 margin no. 65-68 - Huawei/ZTE).

82 This should be taken into account, in particular, when considering whether the infringer of a patent claims to have relied on it that the patentee did not allow him

to obtain a licence on FRAND terms. This is because, unlike in contractual negotiations which a company willing to license seeks to enter into prior to the commencement of use, the interest of the infringer may also - solely or at least primarily - be directed at delaying the patent proprietor as far as possible until the expiry of the term of protection of the patent for the action, because he is then no longer threatened with a cease and desist order (see ECJ, WRP 2015, 1080 margin no. 65 - Huawei/ZTE). Such behaviour is even more attractive from an economic point of view if the licensing of a plurality of patents or a patent portfolio is at issue, but the patent proprietor only receives compensation for the use of this very patent after the patent in suit has expired.

83 The obligation of the market dominant patentee to inform the infringing party about the infringement and the possibility of obtaining a licence and to make an offer of a licence to the infringer willing to take a licence is not an end in itself, but is intended to make it easier for the latter to negotiate reasonable conditions with the patentee for his use. For this reason, after the first indication of infringement, it is not sufficient for the establishment of further obligations for the market-dominant patentee if the infringer then merely shows himself willing to consider entering into a licence agreement or to enter into negotiations as to whether and under what conditions the conclusion of a contract is possible for him (see Opinion of Advocate General Wathelet of 20 November 2014 - C-170/13 margin no. 50). Rather, the infringer, for his part, must clearly and unequivocally declare his 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 target oriented manner. The High Court of England and Wales (J. Birss) has aptly stated that *"a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND"* (EWHC, judgement of 5 April 2017, [2017] EWHC 711 (Pat) margin no. 708 - Unwired Planet v Huawei).

84 bb) The Court of Appeal therefore assumed without error of law that the plaintiff was not guilty of an abuse of its market dominant position because it had not sufficiently informed the defendant of the infringement of the patent in suit and of its willingness to license it on FRAND terms.

85 (1) Such notification is intended to inform the infringer of the infringement and draw attention to the possibility and necessity of taking a licence. It is sufficient in this respect that the patent is designated and that it is indicated the specific act of infringement. The latter requires - as the Court of Appeal rightly points out - the designation of the type of infringing act as well as the challenged embodiments. Detailed technical or legal explanations of the infringement allegation are not required; the infringer must only be enabled to form a picture of the justification of the patent infringement allegation - if necessary with expert assistance or by obtaining legal advice. The presentation of the infringement allegation on the basis of "Claim Charts", which is widely used in practice, is regularly sufficient, but not mandatory.

86 (2) The Court of Appeal correctly considered that the infringement notices of the plaintiff satisfied these requirements.

87 According to the findings of the Court of Appeal, in a letter dated December 20, 2012, and two further letters from 2013 to the defendant's parent companies, the plaintiff identified the plaintiff's patent with its publication number, among other things, and stated that the Group companies were infringing on the plaintiff's patent by manufacturing and selling mobile phones that implemented the GSM standard, among other things. In doing so, the Court of Appeal assumed without legal error that the reference to the GSM standard also included the GPRS extension. There are no indications that the allegation of infringement had to be further substantiated with regard to the affected section of the standard. Moreover, the patentee who has named the infringed patent and the relevant standard may expect the infringer to notify within a short period of time if these details are not sufficient to identify the infringement allegation. This applies

even if - as here - a large number of patents and standards are mentioned

88 By the first infringement notice in the letter of 20 December 2012, the plaintiff also indicated that it offered licences on FRAND terms.

89 (3) Rightly and without objection by the Defendant in the appeal, the Court of Appeal also considered the reference to the defendant's parent companies sufficient.

90 cc) It does not, however, stand up to audit review, that the Court of Appeal assumed that the plaintiff was abusing its dominant position in the market by bringing an action to enforce the claims for destruction and recall of infringing products (which remained after the injunction claims had been settled because the patent had expired), because it had not offered the defendants a licence agreement on FRAND terms, and that the terms offered to the defendants were discriminatory. Its findings do not support either the assumption that the plaintiff was obliged to make a concrete offer of a contract because the defendants had shown themselves willing to license, or the further assumption that the contractual conditions offered to the defendants were discriminatory.

91 (1) The Court of Appeal wrongly assumed that the defendants had agreed to conclude a licence agreement on FRAND terms.

92 The Court of Appeal correctly saw that the defendant's declaration of 12 December 2013, i.e. more than one year after the first infringement notification, did not meet the requirements for an infringer willing to obtain a licence in terms of time alone. An infringer who remains silent for several months on the infringement notification thus regularly indicates that he is not interested in obtaining a licence. Contrary to the opinion of the defendant this does not preclude the

fact that the applicant did not make the FRAND declaration until 10 April 2013. Indeed, already with the first infringement notice in the letter of 20 December 2012, the applicant indicated that it offered licences on FRAND terms.

93 Nevertheless, the Court of Appeal found that the defendant was willing to license the patent, since a FRAND declaration of willingness to license issued after the reaction period but before the action was filed would not result in a substantive foreclosure, but rather in the continuation of the "out-of-court licensing procedure" and the patentee was again obliged to make an offer to the infringer on FRAND terms.

94 It can remain open whether this is correct. The appeal successfully challenges the assumption of the Court of Appeal that the declaration of 12 December 2013 is a sufficient declaration of willingness to license. Nor do the other statements by the Defendants and their parent companies, as determined by the Court of Appeal, express the Defendants' serious willingness to enter into a license agreement on FRAND terms.

95 (a) Since no further findings in favour of the defendant are to be expected, the senate can interpret the defendant's statements itself. The interpretation of declarations of intent is indeed in principle reserved to the judge of facts. However, it is not binding on the appellate court if it violates statutory or generally recognised rules of interpretation, laws of thought or principles of experience (see Federal Court of Justice, judgement of 5 October 2006 - III ZR 166/05, MDR 2007, 135). Even taking into account this limited standard of review, the statements of the court of appeal are not free of errors of law. The e-mail letter of 17 December 2013 from the IP director of the defendant's parent companies (Exhibit AR 39) does not satisfy the requirements for a serious and unconditional willingness to take a licence on FRAND terms (margin no. 83 above). It merely expresses the hope that one will enter into a formal negotiation (*"We hope to have a formal negotiation with you"*) and asks for information about a promised discount (*"You mentioned that*

there will be a discount if we sign the license timely. Please let me know the information such as specific discount amount and the current license royalty arrangement..."). From the plaintiff's objective point of view as a recipient, the defendants did not - and certainly not clearly and unambiguously - indicate that they were prepared to conclude a license agreement on FRAND terms.

96 (b) The other letters from the IP Director of the parent companies of the defendant have only been examined by the Court of Appeal on whether they gave rise to the assumption that the original willingness to license had ceased to exist in the meantime. Since the letter of 16 January 2016 (Exhibit AR 51) contained the statement that, if German courts had finally determined an infringement and the validity of the plaintiff's patent and of another patent asserted in a parallel litigation between the parties, one would be willing to take a FRAND license and pay license fees, this statement also did not meet the requirements, as the Court of Appeal correctly stated. This applies irrespective of the question, which was not examined by the Court of Appeal, whether and, if so, to what extent the defendants were allowed to restrict a willingness to license factually and geographically. For according to their letter, the defendants not only wanted to reserve - admissibly (ECJ, WRP 2015, 1080 margin no. 69 - Huawei/ZTE) - the possibility to have the question of the use of the plaintiff's patent and its legal validity clarified in court even in the case of a FRAND license agreement, but they themselves only made the declaration of the willingness to license in a conditional form. Such a conditional declaration of willingness to license is insufficient (BGHZ 180, 312 margin no. 32 - Orange Book Standard).

97 (c) To the extent that the Court of Appeal inferred from the letter dated 23 March 2016 (Exhibit AR 51) transmitted during the appeal proceedings that the defendants had continued to be willing to license, it again can remain open whether and to what extent a willingness to license declared after the suit was filed (and after a conviction in the first instance) may have an impact on the antitrust assessment of the patentee's conduct. The findings of the Court of Appeal do not indicate a willingness to license in the above-mentioned sense. Nor does it follow from the content of the

letter. Although there is a statement that one is willing to take a FRAND license, it is also pointed out that one's own position remains unchanged (*"To make a long story short, we wish to express that our position remains unchanged, namely that we are willing to conclude a FRAND license and we are of the opinion that our offer is FRAND"*; Exhibit AR 51 p. 3). From the plaintiff's objective point of view of the recipient, this could only be understood to mean that the inadmissible condition expressed in the letter of 16 January 2016 was to remain.

98

In view of the above, it is not necessary to make a final assessment as to whether the letter also expresses a lack of willingness in other respects to enter into an open-ended negotiation process and to accept FRAND conditions with whatever content. This is supported by the fact that the defendant insists on its own counter-offer and informs that it is not willing to improve the offer as long as the plaintiff is not willing to specify the way in which the other patents belonging to the portfolio are infringed (*"As long as you remain unwilling to specify the way in which your patents (except EP504 and EP885) could be infringed... we are not able to further amend our offer"*). From the plaintiff's objective point of view, this indicated at that time that the defendant was using delaying tactics. Admittedly, when offering a portfolio license, the patentee must provide the infringer with sufficient information on the patents belonging to the portfolio. However, this obligation does not go beyond what one party must reasonably be required to provide in contract negotiations for a portfolio license. As in the notice of infringement, it is sufficient to explain the nature of the respective infringing act and the challenged embodiments. Detailed technical or legal explanations on the use of the respective patent are not required; the infringer only needs to be enabled to assess the infringement allegation - if necessary with expert assistance or by obtaining legal advice. In the event of uncertainty as to the justification of the infringement allegation, honest negotiating partners can be expected to enter into a discussion. The plaintiff had already fulfilled its obligation by letter dated December 20, 2012. It had attached a list of the 450 patents belonging to

the patent portfolio. The fact that the defendants insisted after more than three years on the formal position that the plaintiff was obliged to submit claim charts for all patents is in any case an indication that the defendants were less interested in a successful conclusion of the negotiations than in further delaying them, given the near end of the term of the patent in suit. This again applies irrespective of the question left open by the court of appeal whether and, if so, to what extent the defendants were allowed to refuse the offered portfolio license, since the patent owner may at least expect an infringer who is in principle willing to license to at least rely on factual grounds for this.

99 It is true that the letter also required the plaintiff to explain how the licence offered had been calculated. However, even if one assumes, in the defendant's favour, that the plaintiff had not yet fulfilled its obligation to do so, this obligation only existed after the defendants had expressed their serious willingness to license.

100 (d) It can ultimately remain open whether a willingness to enter into a FRAND licensing agreement can be inferred from the defendant's counter-offer made on 20 January 2017 – and thus four weeks before the appeal hearing date of 16 February 2017. At the time this offer was made, the term of protection of the patent in suit had already expired. As a result, due to the loss of the dominant market position, the plaintiff not only lacked a norm addressee status within the meaning of Art 102 TFEU and Section 19 GWB, but it could also no longer allow the defendants to use the subject matter of the patent in suit, which had become patent-free, in the future. It was not obliged to retroactively legitimise the acts of infringement.

101 (2) Even though this is no longer decisive, the findings of the Court of Appeal further do not support the assumption that the action constitutes an abuse of a dominant position because it required the defendants to comply with discriminatory contractual conditions. The Court of Appeal did not consider whether the plaintiff's submissions made it possible to establish that the plaintiff was forced to grant preferential conditions to the third party licensing company through intimidation or pressure from a foreign authority. It erred in law in assuming that this could not in itself constitute an objective justification for the unequal treatment.

102 Whether there is an objective justification for different prices has to be answered on the basis of a weighing of all interests involved, taking into account the objective of cartel law which is aimed at freedom of competition (BGHZ 160, 67, 77, BGH, judgement of 7 August 2010 - KZR 5/10, WRP 2011, 257 margin no. 23 - Entega II). The fact that an undertaking is in a dominant position does not in principle prevent it from protecting its own commercial interests if these are attacked. It must be able to react to such an attack in a reasonable manner, unless the conduct is aimed at strengthening the dominant position and its abuse (see ECJ, judgement of 16 September 2008 - C-486/06, Slg. 2008, 1-7139 margin no. 50 - Lelos/GlaxoSmithKline). If it was economically reasonable from the plaintiff's point of view to accept an offer that was in itself inadequate in view of the lack of realistic possibilities for judicial enforcement of its claims and in view of the threat of personal or other economic disadvantages, in order to receive any consideration at all for the use of its property rights and to escape such threats by state bodies, this may constitute an objective reason, given the necessary weighing up of all interests affected, to adhere to its usual conditions vis-à-vis other enterprises, provided that these are objectively appropriate and in particular do not impair the competitiveness of the other enterprises.

103 III. On appeal by the plaintiff, the judgement under appeal must therefore be lifted in so far as the Court of Appeal found to the detriment of the plaintiff. The Senate may decide on the merits of the case itself, since further findings are neither necessary nor to be expected and the dispute is therefore ripe for a final decision. As far as the parties have not declared the lawsuit to be settled in the main proceedings due to the expiration of the term of protection of the plaintiff's patent, the regional court's judgement is to be restored to the extent of the requests pursued by the plaintiff, rejecting the appeal, since the plaintiff is entitled to the claims for information, accounting, destruction and recall asserted in the action as well as the claim for damages pursued with the request for a declaratory judgement.

104 1. As a result of the infringement of the patent, the plaintiff has against
the defendants pursuant to Sec. 140a (1), (3) Patent Law, claims to destruction and
recall of the attacked products.

105 a) As already explained (margin no. 65) and as the appellate court
has correctly concluded, apart from cases of unreasonableness, the only
consequence of the expiry of the term of protection is that the claims are limited
to those products which the infringer held or owned or which were manufactured and
delivered by the time the term of protection expired. The plaintiff took this into account
by making it clear at the hearing that it would pursue the claims only to this limited
extent.

106 b) According to the unobjected findings of the court of appeal, the defendants,
who have the burden of proof and presentation in this respect, have not put forward
any special circumstances and there are no indications that the claim here under
Sec. 140a (4) Patent Law is disproportionate.

107 Such special circumstances do not arise in the case of dispute from the fact that
the patent in suit had expired about six months before the judgement on appeal was
issued (see Federal Court of Justice, Decision of 25 September 2018 - X ZR 76/18,
GRUR 2018, 1295 margin no. 6 – tool handle).

108 2. Furthermore, the defendants are obliged to pay damages to the plaintiff
pursuant to Sec. 139 (2) Patent Law and have to provide it with the necessary
information, comprehensive of the accounts awarded by the Regional Court, to
enable the plaintiff to quantify its claim for damages. The claims are limited in time
because of the expiry of the term of protection. The plaintiff has taken this into
account in the appeal proceedings by referring to the requests for infringement
actions until 25 September 2016.

109 a) Without any error of law, the court of appeal has confirmed the liability in the form of negligence necessary for the claim for damages also for the period before the plaintiff received the first notice of infringement. The obligation of the owner of a standard essential patent does not change the fact that it is in principle the infringer's responsibility to make sure, before commencing the manufacture or distribution of a technical product, that this does not infringe the property rights of third parties (Federal Court of Justice, GRUR 2001, 323, 327 – temperature monitor). In view of the large number of patents which may affect a product, especially in the field of information and telecommunications technology, it is very difficult to obtain a complete and reliable overview of all relevant property rights (cf. ECJ, WRP 2015, 1080 margin no. 62 - Huawei/ZTE). However, this lack of information is not due to the patentee's conduct and therefore does not justify a deviation from the otherwise applicable standard of care.

110 b) The assumption of the Court of Appeal that the amount of damages to be paid by the defendants is limited to that which would result from a licence analogy is not fully correct, even if the starting point of the Court of Appeal were correct, namely that the plaintiff had abused its dominant position by bringing an action for an injunction.

111 The assertion of a claim for damages due to patent infringement does not, as the Court of Appeal does not fail to recognise, in principle constitute an abuse of the patentee's dominant position even in the case of a standard essential patent (ECJ, WRP 2015, 1080 margin no. 74 - Huawei/ZTE). The infringer can therefore only counter the patentee's claim for damages with a claim for damages of his own which is based on the non-fulfilment of his claim to the conclusion of a licence agreement

on reasonable and non-discriminatory terms and by virtue of which he can demand to be placed in the position he would have been in if the patentee had fulfilled this claim immediately. Such a counter-claim can thus only arise where the infringer requires the patentee to conclude a licence agreement on FRAND terms (initially by indicating his willingness to licence) and the patentee does not react to this in accordance with the obligations imposed on him by his dominant position, either by unlawfully refusing to conclude such a licence agreement (cf. BGHZ 160, 67, 82 – Standard bung barrel) or, despite the patent infringer's willingness to license, does not make an offer regarding FRAND-conditions.

112 c) Accordingly, a limitation of the plaintiff's claim for damages in this case is completely excluded. In any event, during the term of protection of the patent in suit, the defendants did not sufficiently express their willingness to enter into a contract on FRAND terms, as explained.

113 3 The decision on costs is based, in so far as it does not preclude the application of the Court of Appeal's decision of the Court of Appeal under Section 91a of the Code of Civil Procedure, which is subject to review in appeal proceedings, on Section 97(1) of the Code of Civil Procedure.

Meier-Beck

Berg

Tolkmitt

Rombach

Linder

Lower Courts:

Regional Court Düsseldorf, Decision of 03.11 2015 - 4a 0 93/14 -

Higher Regional Court Düsseldorf, Decision of 30.03.2017 -1-15 U 66/15 –