

## The *Landgericht Düsseldorf's* (Düsseldorf District Court) decision to refer "LTE standard"

August 2013

**With the patent infringement case "LTE-Standard"<sup>1</sup> the *Landgericht Düsseldorf* has on 21 March 2013 deviated from the hitherto established practice and challenged the *Bundesgerichtshof's* (German Federal High Court of Justice) case law regarding the applicability of the defence of compulsory licence as laid down in the landmark decision "Orange-Book-Standard"<sup>2</sup>. The practical implications are significant.**

### A. Facts of the case

The subject of the proceedings is a patent infringement lawsuit against a Chinese competitor as well as against the German distribution company based on the alleged infringement of the European patent EP 2 090 050 ("patent-in-suit"). The patent-in-suit relates to the area of mobile communications technology and protects a method and apparatus of establishing a synchronisation signal in a communication system.

In March 2009, the claimant had notified the European Telecommunications Standards Institute (ETSI) of the application for the patent-in-suit and declared it essential for the

Long Term Evolution (LTE) standard. The LTE standard is a mobile telecommunications standard, which is standardised by the 3GPP (3rd Generation Partnership Project) collaboration. Amongst others, ETSI is a member of this collaboration. Simultaneous to the notification of the patent application to ETSI, the claimant undertook to grant licences to third parties on fair, reasonable and non-discriminatory terms (hereafter "FRAND").

Like the claimant, the *Landgericht* regarded the patent-in-suit as essential for the LTE standard. Therefore, in the *Landgericht's* opinion, the teaching of the patent-in-suit is inevitably put into practice when the LTE standards are used. The defendants operate base stations, amongst other things, in the Federal Republic of Germany, which clearly work in accordance with the LTE standard and therefore, in the court's opinion, make use of the teaching protected by the patent. The defendant attacked the patent-in-suit at the European Patent Office with an opposition. However, the European Patent Office upheld the patent-in-suit in its entirety. The *Landgericht* has therefore considered a suspension as inappropriate, in spite of the current opposition proceedings, which are now at the appeal stage.

In the period from November 2010 to the end of March 2011, the claimant was in contact with the defendant No.1 partly regarding the infringement of that patent-in-suit and partly the possibility of a licence on FRAND terms.



**Daniel Hoppe-Jänisch**  
White & Case

This article was published in a slightly different form in MITTEILUNGEN DER DEUTSCHEN PATENTANWÄLTE

\* Rechtsanwalt and certified specialist lawyer for intellectual property rights Daniel Hoppe-Jänisch, White & Case LLP, Hamburg.

1. LG Düsseldorf (Düsseldorf District Court) GRUR-RR 2013, 196.

2. BGH (German Federal Court of Justice) GRUR 2009, 694 – Orange-Book-Standard.

## The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

---

While the claimant had requested a reasonable licence fee, the defendant No.1 had sought a cross-licence agreement to avoid having to pay any licencing fees. The parties had not exchanged specific offers for a licence agreement.

### B. The decision

The *Landgericht Düsseldorf* has suspended the proceedings and, in accordance with Article 267 of the Treaty on the Functioning of the European Union (TFEU), referred to the Court of Justice of the European Union (CJEU) the following questions for the interpretation of Article 102 TFEU:

1. Does the owner of a standard-essential patent who declares themselves willing, vis-à-vis a standard-setting organisation, to grant a licence to any third party on fair, reasonable and nondiscriminatory terms, abuse their dominant market position if they seek injunctive relief before a court against a patent infringer despite the infringer having declared themselves willing to negotiate such a licence, or  
Can an abuse of the dominant market position only be presumed if the patent infringer has made an unconditional and binding offer to the owner of the standard-essential patent to conclude a licence agreement that the patent owner cannot refuse without unduly restraining the patent infringer or violating the non-discrimination rule, and the patent infringer, in anticipation of the licence to be issued, already complies with their contractual obligations with respect to already committed acts of use?
2. If the abuse of a dominant market position can already be presumed from the patent infringer's willingness to negotiate: Does Article 102 TFEU pose specific qualitative and/or chronological requirements to the willingness to negotiate? Can such a willingness to negotiate already be presumed when the patent infringer merely generally declares (orally) their willingness to enter into negotiations or does the patent infringer already have to have entered into negotiations by, for example, communicating terms and conditions under which they are prepared to conclude a licence agreement?
3. If the submission of an unconditional binding offer to conclude a licence agreement is a requirement for an abuse of a dominant market position: Does Article 102 TFEU pose specific qualitative and/or chronological requirements to the offer? Does the offer have to include all terms and conditions, which are usually set forth in

licence agreements in the technology field in question? Can the offer be made particularly under the condition that the standard-essential patent is actually used and proves to be legally valid?

4. If the patent infringer's fulfilment of obligations arising from the requested licence is a requirement for an abuse of a dominant market position:  
Does Article 102 TFEU pose particular requirements with respect to such acts of fulfilment? Is the patent infringer required, in particular, to make disclosures relating to past acts of infringement and/or to pay licence fees? Can an obligation to pay licence fees also be fulfilled by giving security?
5. Do the requirements for the presumption of abuse of a dominant market position by the owner of a standard-essential patent also apply to other claims through legal action arising from patent infringement (disclosures, recall, damages)?

In the grounds for the decision the court deviates surprisingly clearly from the practice, which had been established since the *Bundesgerichtshof's* (German Federal Court of Justice) *Orange-Book-Standard* decision, which will be discussed below. The reason for this was a press release by the European Commission of 21 December 2012 regarding the notification of the statement of objections about a possible patent misuse on the mobile telephone market in proceedings initiated against Samsung.<sup>3</sup> According to this, the European Commission takes the preliminary view that the claim of injunctive relief arising from standard-essential patents is detrimental for competition and constitutes abusive behaviour, if the owner of the standard-essential patent has issued a FRAND-declaration of their willingness to grant a licence towards a standard-setting organisation, if the competitor has to use the standard-essential patent in order to participate in the market and if that competitor or patent infringer is willing to enter licensing negotiations. The Commission has confirmed this view in a further press release from 6 May 2013.<sup>4</sup> According to the Commission's opinion, the grant of injunctions may preclude the parties' equality of arms because the market exclusion connected with such a decision would have an unjustified impact on the licensing negotiations.

3. Very informative about the decision's background: *Verhauwen*, „Goldener Orange-Book-Standard“ am Ende?, in: GRUR 2013, 558, 563.  
4. Reference: IP/13/406, available at [http://europa.eu/rapid/pressrelease\\_IP-13-406\\_de.htm](http://europa.eu/rapid/pressrelease_IP-13-406_de.htm).

# The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

---

## C. The decision in detail

### I. The questions referred

The *Landgericht* formulates the central referral question under 1. There, it asks for an interpretation of Article 102 TFEU regarding the question of whether it is to be viewed as an abuse of a dominant market position, if a standard-essential patent, which the owner has declared their willingness to licence, is to be enforced against an alleged infringer with an injunction despite the alleged infringer having declared their willingness to enter negotiations about such a licence. The court compares this with the *Bundesgerichtshof's* view, expressed in the Orange-Book-Standard decision, which assumes an abuse of the dominant position in the market only when the patent infringer has made an unconditional and binding offer to the patent owner to conclude a licence agreement and the patent infringer in anticipation of the license to be issued already complies with their contractual obligations with respect to already committed acts of use. The wording "unconditional offer" in referral question 1 is, with view to referral question 3, imprecise because only referral question 3 asks for clarification on whether the binding offer can be made under certain conditions.

Referral question 1 is already crucial. The current German practice, based on the Orange-Book-Standard decision, is obsolete if the CJEU follows the Commission's view even just on its merits, according to which the mere expression of the willingness to negotiate is required. In that case the CJEU only has to answer referral questions 2 and 5, which relate on the one hand to the qualitative requirements of the acceptance of the willingness to negotiate and on the other hand to the application of the principles to other claims resulting from a patent infringement, such as, for example, claims for disclosures, recalls or damages.

Should the CJEU, in line with the *Bundesgerichtshof's* Orange-Book-Standard decision, deem a binding offer necessary for the application of the defence of compulsory licence, it would also have to answer referral question 3 which relates to the requirements to be applied to the offer. Referral question 4, which relates to the requirements for requested acts of performance, can hardly be separated from this. These acts of performance relate to the contract, which is to be offered with the binding offer.

The view that referral question 5, which relates to other claims arising from a patent infringement, was not prompted by the Commission's notification, is only partially correct.<sup>5</sup> This applies to

claims for disclosure and damages because the Commission has stated in the memo published with its press release that the right to claim damages or other sanctions remains unaffected. However, referral question 5, as formulated by the *Landgericht*, also relates to recalls from distribution channels, with which the Commission has not dealt. However, because of their proximity to the injunctive relief, these claims cannot, as a result, be subject to less stringent conditions than injunctive relief. If the CJEU comes to the conclusion that the assertion of injunctive relief on the declaration of the willingness to negotiate is abusive, then this also applies to recalls from distribution channels. From this perspective, referral question 5 has no independent meaning.

### II. The reasons for the decision

With this decision the *Landgericht* concurs with the Orange-Book-Standard criteria only partially.<sup>6</sup> The court's starting point is the idea that, for the intended conclusion of a licence agreement on FRAND terms, neither the patent owner's unjustified position of power nor the patent infringer's unjustified dominance would be conducive, indeed a reasonable and fair balancing of interests, that considers all legitimate interests of the parties would be necessary and as a result would lead to both sides having approximately equal bargaining positions. In contrast to the current practice, it is not the concrete evidence of abusive behaviour that is of fundamental importance, but the balancing of conflicting interests. The *Landgericht* thereby approaches the Commission's view, whose aim it is to establish a certain equality of arms.

However, the *Landgericht* has doubts about whether the criterion of the willingness to negotiate can be handled sensibly in practice. As the court itself points out, the term "willingness to negotiate" leaves large room for interpretation. It is not clear from the decision why it should not be possible to use this room for interpretation reasonably. With referral question 2, the *Landgericht* itself raises the crucial questions about the level of willingness to negotiate. Whether the defence of compulsory licence can serve as a means of balancing conflicting interests or as an invitation to an alleged patent infringer to deploy delaying tactics will depend on the CJEU's answers to these questions.

The chamber says that because of these doubts it tends to be of the view that in the present scenario more is required than the identification of the patent infringer's willingness to negotiate and the patent owner's issuance of a declaration to be willing to grant a

---

5. But *Verhauwen*, GRUR 2013, 558, 563.

6. *Verhauwen*, GRUR 2013, 558, 563.

## The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

licence at a standard-setting organisation to determine an abuse of a dominant market position within the meaning of Article 102 TFEU. The mere use of the criterion of the willingness to negotiate would not allow for an appropriate balancing of interests, because there could be misgivings about the seriousness of the declaration of the willingness to negotiate. The patent infringer could change or withdraw this declaration at any time or they could pose patently unreasonable conditions.

However, the *Landgericht* considers the willingness to negotiate as a suitable criterion when a purely tactical, delaying and dishonest behaviour can be ruled out. For this, certain qualitative and temporal specifications are necessary, which reveal the patent infringer's honesty and need for protection.

While the *Landgericht* overall indicates that it considers the Orange-Book-Standard decision's approach as appropriate, the decision is nonetheless a welcome step in the right direction both in terms of content and because it gives the CJEU an opportunity to quickly clarify, in the interest of practice, the legal issues raised.<sup>7</sup> In the detail, it clearly sets itself apart from the Orange-Book-Standard decision, in particular in relation to the declarations regarding the requirements for a substantial licence offer. Accordingly, it cannot be argued to the infringer's disadvantage that they make the offer subject to the reservation that the attacked embodiments make use of the patent-in-suit. The same applies to the reservation of legal validity.<sup>8</sup> With regards to the question of the reservation of infringement, the *Landgericht* explains convincingly that contracts negotiated in practice also regularly cover only such matters, which use the technical teaching of the licensed patent. In the *Landgericht's* view, the reservation of legal validity also no longer conflicts with a binding offer. Thus, the *Landgericht* acknowledges the substantial criticism, which has convincingly attacked the current practice in light of the exceptional position of the owner of a standard-essential right.<sup>9</sup>

7. *Körber*, Machtmissbrauch durch Erhebung patentrechtlicher Unterlassungsklagen, in: WRP 2013, 734, 742; *Verhauwen*, GRUR 2013, 558, 564; *Hoppe-Jänisch*, GRUR-RR 2013, 200, 201.

8. Loco citato *OLG Karlsruhe* (Karlsruhe Higher Regional Court) GRUR 2012, 736; and *LG Düsseldorf BeckRS* 2012, 09376.

9. *Herrlinger*, GRUR 2012, 740, 741; *Reimann/Hahn*, Orange-Book – Ratgeber oder Buch mit sieben Siegeln?, FS v. Meibom, page 373, 384; recently *Grunwald*, Der kartellrechtliche Zwangslizenzienwand, in: Mitt. 2012, 492, however, his justification of a parallel evaluation of § 24 PatG (section 24 of the German Patent Act) is not convincing due to the various directions of the patent and antitrust compulsory licence; against the admissibility of the condition of legal validity: *Hötte*, die kartellrechtliche Zwangslizenz im Kartellrecht, page 188; *Jestaedt*, Der Lizenzteilungsanspruch nach der BGH-Entscheidung „Orange-Book-Standard“, in: GRUR 2009, 801, 804.

### D. Comparative European applications of the decision

The current German practice is not consistent with the practice in other Member States of the European Union. The Europe-wide legal view on Article 102 TFEU will have considerable influence on the CJEU's forthcoming decision and will be outlined in brief.

#### I. The practice in the Netherlands

The Patent Court of First Instance in Den Haag has recently taken a very clear position with regards to the compulsory licence under antitrust law. In its decision *Samsung/Apple* of 14 October 2011, the court has allowed the objection of a compulsory licence after it had established doubts about the patent owner's willingness to grant a licence on FRAND terms.<sup>10</sup> The Court furthermore gave as reasons for the decision that the patent owner had not sufficiently demonstrated that an offer made by the infringer was not genuine. In the patent owner's view, the offer could not be genuine because it did not refer to the entire portfolio of the patent owner's essential patents for the technology in question and because it was limited to the area of the Netherlands. However, this had not convinced the Patent Court of First Instance,<sup>11</sup> and it did not see itself contradicting an earlier decision in *Philips/SK Kassetten*.<sup>12</sup>

In this context, the Patent Court of First Instance has issued a whole number of very insightful comments on the approach to licence agreement negotiations and clarified that defensive behaviour, such as the denial of the standard essentiality, does not exclude the objection of compulsory license.<sup>13</sup>

#### II. The practice in the United Kingdom

The position of the High Court of Justice (Chancery Division) in London, which is appointed to decide on important patent matters, differs significantly from the current German practice. In a hearing held on 18 May 2012, the High Court (Chancery Division) in London refused to grant an injunction in the *IPCom/Nokia* proceedings.<sup>14</sup> Nokia had previously declared its intent to take a

10. Rechtbank Den Haag, LSK 2012, 120238; the English translation of the decision is available at [http://www.eplawpatentblog.com/2011/October/Samsung\\_Apple%20\\_EN\\_.pdf](http://www.eplawpatentblog.com/2011/October/Samsung_Apple%20_EN_.pdf).

11. Under 4.35 of the decision.

12. Under 4.37 of the decision; confer regarding this decision *Maume/Tapia*, Der Zwangslizenzienwand ein Jahr nach Orange Book Standard – mehr Fragen als Antworten, GRUR Int 2010, 923, 929 et seq.

13. Under 4.38 et seq. of the decision.

14. Confer 2012 EWHC 1446 (Ch), Case No. HC10 C01233, 18.05.2012, No. 5 et seq., cited *Körber*, Machtmissbrauch durch Erhebung patentrechtlicher Unterlassungsklagen, in: WRP 2013, 734, 740.

## The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

licence for the patent-in-suit on the basis of the terms established as FRAND by the Court or by the parties by mutual consent. This declaration had been made under the reservation that the patent would not be revoked or annulled in the appeal proceedings and the opposition proceedings at the European Patent Office.

In contrast to the German doctrine, however, the starting point for the Court's view was not the objection of the abuse of the law but the discretion, granted to the Court in the United Kingdom, to refrain from granting an injunction if monetary compensation was sufficient to compensate the damage caused by the infringement.

### III. The practice in France

In contrast to the Netherlands and the United Kingdom, a well-established practice has emerged regarding the question of the objection of compulsory licence. Also in proceedings *Samsung/Apple* the Tribunal de Grande Instance Paris had the opportunity in a decision of 8 May 2011 to address the impact of a patent's standard essentiality and a declaration of the willingness to grant a licence on FRAND terms made before ETSI.<sup>15</sup> It dismissed the action. However, the Court did not base the dismissal of the action on the objection of compulsory licence but on an existing licence agreement between Samsung and Apple's supplier Qualcomm.

Ultimately the Court deemed it appropriate to clarify that the subject of ETSI regulations on intellectual property is an *irrévocabilité des autorisations d'exploiter*, which is designed to prevent an owner of a standard-essential property right from capitalising on their necessarily dominant position in order to abuse this position and prevent a competitor's access to the market by refusing to grant a licence.<sup>16</sup> Thus, the situation in France cannot yet be considered as clarified but the trend there also indicates a more generous application of the objection of compulsory licence compared to the current German position.

### IV. Outlook

The *Landgericht's* decision may signify the end of the German Sonderweg<sup>17</sup>. Although the practice is gradually growing in other Member States, it can be justly argued that it is generally

significantly less patent owner-friendly<sup>18</sup>. Furthermore, if the preferential treatment of the patent owner, caused by the bifurcation principle, in German infringement proceedings is taken into consideration,<sup>19</sup> the thought might present itself that the *Landgericht's* decision may be justified by the right to a fair trial, on which the defendant in a patent infringement action can also rely.

In particular, the practice in the Netherlands and the United Kingdom shows that the *Landgericht's* misgivings that the mere requirement of the willingness to negotiate would unfairly throw the gates wide open for delaying and tactical defence practices may not be justified.<sup>20</sup> The limitations, which the owner of a standard-essential patent has to bear, are at least partially compensated by the substantial improvement to the prospects of utilisation due to standardisation.<sup>21</sup>

### E. The decision's effect on pending actions

As *Verhauwen* reports, the *Oberlandesgericht Düsseldorf* (Düsseldorf Higher Regional Court) has, in other proceedings regarding standard-essential patents, followed the *Landgericht's* view and suspended these proceedings pending the conclusion of the referral proceedings.<sup>22</sup> It is likely that other courts will follow this example and that the defence in actions regarding standard-essential patents will rely increasingly on the objection of compulsory licence. This objection will for the first time become an effective means of defence as it is unlikely that the CJEU will turn back the wheel and follow the *Bundesgerichtshof's* view in the *Orange-Book-Standard* decision.

The *Landgericht's* decision does not only raise the specific referral questions sent to the CJEU but, for the practitioner, also raises the question how the decision can be utilised for legal defence and how a patent owner can still effectively counter the objection of compulsory licence.

15. Decision of 8.12.2011, FN: 11/58301.

16. Decision of 8.12.2011, FN: 11/58301, page 14 of the print.

17. *Körber*, Standard-essentielle Patente, FRAND-Verpflichtungen und Kartellrecht, page 170; confer also *Ulrich*, Patents and Standards – A comment on the German Federal Supreme Court decision *Orange-Book-Standard*, in: IIC 2010, 337, who denotes the German patent law practice as dogmatic and internationally isolated.

18. Confer for example *Rechtbank Den Haag*, LSK 2012, 120238; *Lundie-Smith/Moss*, *Bard v Gore*: to injunct, or not to injunct, what is the question? Is it right to reward an infringer for successfully exploiting a patent?, in: GRUR Int. 2013, 400, 404 et seq.

19. Confer the accurate analysis of *Wuttke/Guntz*, *Wie weit reicht die Privilegierung des Klägers durch das Trennungsprinzip?*, in: Mitt. 2012, 477.

20. Sharing these misgivings: *Verhauwen*, GRUR 2013, 558, 564.

21. However, in agreement with *Verhauwen*, GRUR 2013, 558, 564, insofar as the curtailment of the rights of essential intellectual property rights' owners must take place tactfully to prevent powerful companies from retreating from the standardisation of technical solutions to the consumers' detriment.

22. *Verhauwen*, GRUR 2013, 558, with reference to the decisions in the proceedings 2 U 50/12 and 2 U 51/12.

## The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

---

### I. Requirements of the objection of compulsory licence

The questions regarding the actual implementation of the objection of compulsory license in proceedings are particularly of importance in the run-up to the CJEU's decision. However, they will not be settled with the decision as it is unlikely that the CJEU will take a position on all details of the objection's application as it is only called upon to interpret Article 102 TFEU and cannot assess the German civil procedure law. Amongst many other problems, the practitioner will have to find answers with regards to the determination of standard essentiality, the assertion of the willingness to negotiate and, as representative of an essential patent, regarding the refutation of the willingness to negotiate.

#### 1. Determination of standard-essentiality

In the present decision, the court has assumed that the patent-in-suit is standard-essential. However, it has refrained from commenting in detail on the determination of the essentiality. It merely stated that the attacked embodiments undisputedly operate in line with the LTE standard. Whether the patent-in-suit actually meets the LTE standard has either not been in dispute between the parties or the court did not want to overload the suspension and referral decision with complicated questions on the determination of the standard-essentiality. The question how the onus of presentation and the burden of proof are managed with regards to the standard-essentiality is of vital importance for the practitioner in pending patent infringement actions.

It can be assumed that the owner of the standard-essential patent's arguments during the infringement action will usually follow a three-step process: First, they will argue that the patent-in-suit is based on the development of a certain standard. Secondly, they will claim that the standard will be implemented in certain embodiments. Thirdly, the claimant will claim that these embodiments will be offered nationally or placed on the domestic market. The evidence of the patent infringement will therefore be given without a physical examination of the attacked embodiment. This concept of justification is endorsed by the highest courts.

The *Bundesgerichtshof* has even gone so far in the *MP3-Player-Import* decision to say that the trial judge "can, if necessary, come to the conclusion that a certain standard is applied solely based on the arguments brought in support of the action, provided there is no indication that the functionality in question can also be achieved in a way which does not allow the conclusion that the patent-in-suit is in use".<sup>23</sup> It is to be noted that the *Bundesgerichtshof* has thus not just

pointed out that the conviction of the standard's application can be gained when there is no indication that the standard is not applied. In fact, it emphasised that the conclusion on the application of a standard can be justified with the fact that for the functionality provision as described by the standard, no technical solution is apparent that is not covered by the patent-in-suit.<sup>24</sup>

Taking the *Bundesgerichtshof* literally, the use of the standard-essential patent can be inferred from the application of the standard and vice versa. It is doubtful whether this unambiguousness is justified in all cases. Admittedly however, the reference to the standard rightly facilitates the proof of infringement in many cases. In practice, however, the required complete evidence that a standardised solution actually falls under the terms of a patent claim is sometimes neglected. In some cases, the impression occurs that the declaration of standard-essentiality at a standard setting organisation is wrongly being trusted without it having been checked.

In light of the situation with which the owner of a standard-essential patent now has to cope, the way in which the pleading and evidence techniques will change will be eagerly anticipated. While up to now a relatively convenient proof of patent use was possible by asserting standard-essentiality and the application of the standard through the attacked embodiment, now the assertion of standard-essentiality can develop into a dangerous counterargument, if the alleged infringer applies the objection of compulsory license.

In this context, the patent owner cannot rely on the alleged infringer's contradictory behaviour. If the patent owner submits that the patent-in-suit is actually not standard-essential and therefore the patent is not infringed, then this is not contradictory to the application of the objection of compulsory license. This results partly from the fact that the assessment of the teaching of the patent-in-suit as essential or non-essential is based on a subsumption of the mandatory requirements of the standard in question under the asserted patent claims and is therefore the result of a legal-technical evaluation. The claim, that the patent-in-suit is not standard-essential, is therefore nothing more than an assertion of rights, which is not binding on the alleged infringer. Furthermore, the defendant cannot be subject to more serious accusations than the claimant, if they, in order to justify the infringement allegation, assert that the patent-in-suit is essential, while they deny this with regards to the objection of compulsory licence.

---

23. BGH GRUR 2009, 1142, 1147 – *MP3-Player-Import*.

24. 24 BGH GRUR 2009, 1142, 1147 – *MP3-Player-Import*.

## The Landgericht Düsseldorf's (Düsseldorf District Court) decision to refer "LTE standard"

---

Therefore, the defendant's contesting of the standard-essentiality may only become critical with regards to the question of whether it is contrary to the seriousness of an alleged willingness to negotiate. In addition, it is assumed that the claimant has to prove the patent-in-suit's standard-essentiality, if they base their infringement claim on it. In that case, the defendant may assent to the claimant's submission regardless of the denial of the essentiality with respect to the justification of the objection of compulsory licence.

The case is slightly more complicated if the claimant possibly with great foresight—does not assert standard-essentiality. Then the defendant is free to prove standard-essentiality—even as an alternative—and thus to justify their licencing claim. That such a case is lacking a declaration of the willingness to grant a licence towards the standard-setting organisation is eventually likely to be irrelevant because generally, the objection of compulsory licence based on Article 102 TFEU is not affected.<sup>25</sup>

In a third scenario, only the parties assume that the patent-in-suit is standard-essential, not the court, which is, however, not obliged to question the parties' matching technical arguments or to search independently for mistakes. Nonetheless, if the court gets to the view that the patent-in-suit is not standard-essential, it is obliged in accordance with § 139 Abs. 3 ZPO (section 139 para 3 German Civil Procedure Code) to alert the parties to this. In that case, the objection of compulsory licence is excluded while the action based on the specific embodiment may still be successful.

### II. Assertion of the willingness to negotiate

Another key consideration may be the question of what the requirements for the determination of the willingness to negotiate should be. Although the *Landgericht's* referral questions are broad, consensus might exist that only a serious willingness to negotiate can justify the objection of compulsory licence. This also corresponds with the courts' view in the Netherlands and the United Kingdom. Thus, during proceedings, the aim will be to determine the seriousness of the willingness to negotiate.

A specific binding offer will not be required for this. Such an offer was also not the subject of the case on which the *Landgericht's* decision is based. However, an honest defendant will be required to endeavour to enter into licence agreement negotiations and to reply objectively to the patent owner's particular proposals. Ultimately, the court will have to make an appraising decision whether according to the pleaded facts of the case the defendant's objection of the

willingness to negotiate is a delaying tactic, which is assumed in particular when the patent owner's understandable claims are countered with entirely unrealistic and obviously unacceptable counterclaims.

Although the general principles apply to the time of the objection of compulsory licence, if the facts on which the objection of compulsory licence are based are submitted procedurally late, the court is no longer obliged to consider those in its decision-making process provided that the conditions of § 296 ZPO (section 296 of the German Civil Procedure Code) are satisfied. It is to be noted, however, that the objection can also be used to counter the enforcement of the legally enforceable injunctive relief so that, with the rejection, the court merely causes a shift of the problem to the enforcement proceedings.

Another relevant practical question is whether the defendant can rely on a supplier's (i.e., a components manufacturer) willingness to negotiate instead of the defendant's own willingness to negotiate, with whose licensing the infringement claim could be dispelled. This comes particularly into consideration in cases where the infringement claim, contrary to the market's practice, is made against a trader or an intermediary although generally a manufacturer's licence is common. In such cases, the assertion of a claim for injunctive relief can serve indirectly as a means to put pressure on the defendant's supplier. If the defendant's reliance on the willingness to negotiate was generally denied in such cases, the imbalance feared by the European Commission during contract negotiations would occur because the supplier could not counter a possible claim for damages by the customer with the objection of compulsory licence while the supplier may only, with great difficulty, be able to enforce the licence against the claimant.

Following the *Landgericht's* decision, the patent owner must be careful to carry out licence agreement negotiations initiated by the defendant in a timely and appropriate manner. This is the only way to expose a defendant who is merely pretending to be willing to negotiate. For this purpose, the patent owner should be advised to actively initiate such negotiations. If the defendant refuses a FRAND offer, which is subject to infringement and legal validity, their declared willingness to negotiate can usually not be taken seriously. The patent owner can effectively counter the alleged infringer's objections with regards to the amount of the licence fees by suggesting a third party's performance determination right in accordance with § 317 BGB (section 317 of the German Civil Law Code) or the mutual appointment of an authorised expert for the determination of an appropriate licence.

---

25. *Hötte*, page 141 et seq.