
New guidelines for the FRAND defence in patent infringement proceedings by the Munich District Court I

Reported by *Dr. Jan Bösing*

With the notice on handling the defense of compulsory license under antitrust law according to Huawei v. ZTE within Munich proceedings in patent litigation, the [German original](#) and the [English translation](#) of which are attached hereto, the Regional Court of Munich I published the envisioned approach of the patent litigation chambers to the FRAND defense in complaints based on standard-essential patents. The notice mainly pertains to the procedural approach of the patent litigation chambers to the FRAND defense, but indications regarding the requirements with respect to substantive law which the patent litigation chambers set for the FRAND defense may also be gathered from the notice. Only two days after their publication, the notes were put to the test during main proceedings relating to a standard-essential patent-in-suit held by Nokia against Daimler, and further specified by statements made by the 7th Civil Chamber.

Analysis

Decisive passages of the notice by the Regional Court of Munich I deviate from the case law of the courts of lower instances in Mannheim/Karlsruhe and Düsseldorf on the FRAND defense. The deviations benefit patent proprietors and, in summary, make it considerably more difficult for defendants to successfully assert a FRAND defense.

- (1) The Regional Court of Munich I will only examine the content of the license offer of the plaintiff owning the patent (consistently referred to as the “*Plaintiff*” hereinafter) if the defendant using the patent (consistently referred to as the “*Defendant*” hereinafter) has completely fulfilled its obligations, i.e. if it has made a counter-offer, rendered accounts and provided security. As the 7th Civil Chamber confirmed during the first oral hearing after having published the notice, the fulfilment of these obligations by the Defendant is a mandatory requirement for the patent litigation chamber to even consider examining the content of the Plaintiff’s offer.

In this aspect, the Regional Court of Munich I deviates from the case law of the Regional Court and the Higher Regional Court of Düsseldorf, according to which the obligations of the parties build on each other and the Defendant’s counter-offer is usually only examined after the Plaintiff has made a FRAND license offer (Regional Court of Düsseldorf, judgment dated November 9, 2018, docket no. 4a O 15/17, BeckRS 2018, 33825; Higher Regional Court of Düsseldorf, judgement dated March 30, 2017, docket no. I-15 U 66/15, GRUR 2017, 1219 – Mobiles Kommunikationssystem).

The Regional Court of Munich I only makes an exception from that rule if one of the offers is simply unacceptable.



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If this applies to the Plaintiff's offer, the Defendant's FRAND defense is justified. If it applies to the Defendant's counter-offer, the FRAND defense is unjustified, irrespective whether or not the Plaintiff's offer is actually FRAND. By lowering the examination standard for the offer to this extent, the Regional Court of Munich I even goes beyond the stance taken by the Regional Court of Mannheim. According to the case law of the Regional Court of Mannheim, the Plaintiff's offer is generally not fully materially examined with respect to its compliance with FRAND criteria, but, if justified doubt is indicated in individual cases, the Plaintiff is ordered to demonstrate why the offer is FRAND-compliant (Regional Court of Mannheim, judgment dated September 4, 2019, docket no. 7 O 115/16).

For the Defendant, this means that they usually have to make a counter-offer. In deviation from the Regional Court of Düsseldorf, before the Regional Court of Munich I, it will not be possible for the Defendant to only cast doubt on the FRAND compliance of the Plaintiff's license offer.

- (2) The Plaintiff's offer is the only basis on which the Regional Court of Munich I decides on the question of whether the FRAND defense is justified in the end. If the license offer made by the Plaintiff is not FRAND, the FRAND defense is justified; if the Plaintiff's license offer is FRAND, the FRAND defense is unjustified. If the latter is the case, the Regional Court of Munich I does not even consider the Defendant's counter-offer. So, if the offers of both parties

are FRAND, according to the Regional Court of Munich I, the Plaintiff "*wins*", meaning that the FRAND defense is dismissed. Admittedly, this cannot unambiguously be gathered from the notice in this form, but it was explicitly confirmed by the 7th Civil Chamber during the first oral hearing after the notice had been published.

It is doubtful whether this is consistent with the decision rendered by the European Court of Justice re. Huawei vs. ZTE as the European Court of Justice seems to also consider a FRAND defense founded if the Plaintiff did indeed make a FRAND offer, but the Defendant also completely fulfilled its obligations, according to the wording of the judgment (cf. CJEU, judgment dated July 16, 2015, GRUR 2015, 764, marginal no. 71). Against this background, as a rule, the courts of lower instances in Mannheim/Karlsruhe and Düsseldorf examine the content of the Defendant's counter-offer as to whether or not it is FRAND, provided that the Plaintiff's offer is FRAND.

Thus, the examination of the FRAND defense by the Regional Court of Munich I is considerably more favorable to the Plaintiff than it is before the other most relevant patent litigation chambers. According to the procedure of the Regional Court of Munich, the Plaintiff is ultimately able to refute the FRAND defense by making a FRAND offer. In that case, the Defendant's conduct is no longer relevant.

For the Defendant, however, this constitutes a high risk because they are not

able to fend off a claim for injunctive relief, not even by means of a FRAND counter-offer, rendering complete accounts and providing security.

- (3) The Regional Court of Munich I also defines the onus of presentation and burden of proof regarding the requirements for the content of the Plaintiff's license offer in a manner that benefits the Plaintiff as it imposes both on the Defendant. It remains to be seen to which extent the Regional Court of Munich I will unburden defendants in individual cases by the Plaintiff's secondary onus of presentation mentioned in the notice.

Generally, this distribution of the onus of presentation and burden of proof makes the FRAND defense more difficult as the Defendants will usually lack any insight into the licensing practice of the patent proprietors.

- (4) Another aspect which benefits the Plaintiff is that they are able to deflect a potential FRAND defense by suppliers of the Defendant by making a license offer to the latter. For the Defendant, invoking the Plaintiff's obligation to solely license the patent(s) to the suppliers will usually be too risky; therefore, as a rule, the Defendant will make a counter-offer themselves. According to the notice of the Regional Court of Munich I, however, the FRAND defense of the suppliers falls away in this case even though they probably have an individual claim for licensing.

- (5) Lastly, the Regional Court of Munich I, also defines the onus of presentation and burden of proof regarding the use of portfolio patents in a manner that benefits the Plaintiff. While the Regional Court of Düsseldorf imposes the onus of presentation regarding the use of the portfolio patents, at least with respect to a so-called "*proud list*", on the Plaintiff in case of a license offer for a patent portfolio (Higher Regional Court of Düsseldorf, order dated November 17, 2016, docket no I-15 U 66/15, BeckRS 2016, 21067), according to the notice of the Regional Court of Munich I, proving the non-use of portfolio patents is the obligation of the Defendant. If the Defendant successfully proves this, they also have to demonstrate, and prove, as the case may be, the impact on the royalties. The patent proprietor is even able to deflect these objections by including an adequate adjustment clause in the license agreement offer.



Conclusion and prospect

In summary, the Regional Court of Munich I, applies the FRAND defense in a very plaintiff-friendly manner and, therefore, will probably become the go-to court for proprietors of standard-essential patents wishing to enforce them. By the distribution of the onus of presentation and burden of proof and by the fact that the patent proprietor is able on its own to derail the FRAND defense at many different points, the Regional Court of Munich I, makes a successful assertion of the FRAND defense considerably more difficult. The Defendant is only left with the

possibility of initiating the FRAND defense by a counter-offer, rendering accounts and providing security and then raising doubts about the FRAND compliance of the license offer made by the patent proprietor, an option which seems to exist only theoretically. It remains to be seen whether the Higher Regional Court of Munich and/or the German Federal Court of Justice will follow this stance.