

**GERMAN FEDERAL COURT OF JUSTICE  
IN THE NAME OF THE PEOPLE  
JUDGMENT**

KZR 35/17

Pronounced on:  
November 24, 2020

Anderer  
Court employee as Clerk  
of the court office

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In the litigation of

Reference text: yes

German Federal Court of Justice in Civil Matters: yes

**Case law of the German Federal Court of Justice: yes**

FRAND defense II

TFEU Art. 102 (2) (b), (c)

- a) The proprietor of a standard-essential patent filing a patent infringement complaint for injunctive relief, recall and destruction does not abuse its market power if the infringer, who has been made aware of the infringement of intellectual property rights and the proprietor's willingness to enter into a license agreement, has not unambiguously indicated that it seeks a license on fair, reasonable and non-discriminatory (FRAND) terms.
- b) The infringer's willingness to enter into a license agreement, just like the patent proprietor's willingness to grant a license, cannot amount to nothing more than the one-time expression of interest in licensing or the submission of a (counter-)offer. Rather, both parties are required to contribute in a manner appropriate to the situation and in accordance with the

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principles of good faith so that an appropriate balance of the conflicting interests can be negotiated in the form of a license agreement on FRAND terms.

- c) Outside the scope of application of the succession protection under Sec. 15 (3) German Patent Act, objections which a user of the invention was entitled to raise against the former patent proprietor cannot be raised against the latter's singular legal successor. This particularly applies to the objection of a "patent ambush".

German Federal Court of Justice, judgment dated November 24, 2020

– KZR 35/17 –

Higher Regional Court of Düsseldorf

Regional Court of Düsseldorf



In response to the oral hearing on November 24, 2020, the Antitrust Senate of the German Federal Court of Justice sitting with Presiding Judge Prof. Dr. Meier-Beck, Judges Dr. Kirchhoff and Dr. Tolkmitt, as well as Judges Dr. Rombach and Dr. Linder

held:

Following the appeal on points of law and by rejecting the cross appeal on points of law, the judgment of 15th Civil Senate of the Higher Regional Court of Düsseldorf dated March 30, 2017 is reversed as regards the issue of costs and to the extent to which its finding was to the Plaintiff's disadvantage.

The Defendant's appeal against the judgment of the Chamber 4a of the Regional Court of Düsseldorf of November 3, 2015 is rejected in its entirety.

The costs of the appeal proceedings are imposed on the Defendants.

As a matter of law

## Facts of the case

- 1 Since October 1, 2012, the Plaintiff has been listed in the register of the German Patent and Trademark Office as the proprietor of the German part of European patent 1 264 504 (patent-in-suit), which was applied for by Nokia Oy on February 23, 2001 claiming the priority of Finnish applications dated February 24 and March 24, 2000. The grant of the patent-in-suit was published on September 12, 2009.
- 2 Patent claim 17 was maintained as follows in the opposition proceedings:

“A communications device of a cellular radio system, comprising means (514, 605) for detecting a failure in a radio connection, said radio connection having a plurality of active radio bearer belonging to a radio resource control connection, characterized in that it comprises

means (511, 515, 605) for determining a first expiry time for a period during which the re-establishment of the lost radio connection in respect of said radio bearers which are used to provide a service or services of a first category is allowable; and

means (511, 515, 605) for determining a second expiry time for a period during which the re-establishment of the lost radio connection in respect of said radio bearers which are used to provide a service or services of a second category is allowable, said second category of services being different to said first category of services and said second expiry time being different to said first expiry time.”
- 3 The nullity complaint directed against the patent-in-suit by the Defendants, among others, has remained unsuccessful (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris).
- 4 The Defendants are part of the Haier group. The Plaintiff informed the Defendants’ parent companies, Qingdao Haier Telecom Co. Ltd. and Qingdao Haier Electronics Co. Ltd. (hereinafter also: Haier) for the first time by letter dated December 20, 2012 that it was offering to license on fair, reasonable, and non-

discriminatory (hereinafter: FRAND) terms a number of patent families essential to various telecommunications standards, used by various mobile radio devices manufactured by Haier; the list attached to the letter also included the patent-in-suit. In the time that followed, talks between Haier and the Plaintiff took place, however, not regarding the conclusion of a license agreement.

- 5 Defendant 1) sells mobile telephones and tablets in Germany; Defendant 2) is the European distribution company of the group. In September 2014, it offered mobile telephones and tablets at the Internationale Funkausstellung (International radio exhibition) in Berlin. The mobile telephones and tablets attacked by the Plaintiff support UMTS (Universal Mobile Telecommunications System) and correspond to the 3GPP TS 25.331 standard. The European Telecommunication Standard Institute (ETSI) is responsible for this standard. On April 10, 2013, the Plaintiff made the declaration of commitment towards ETSI, which can be gathered in detail from Exhibit AR 3, according to which it is willing to license, inter alia, the patent-in-suit on FRAND terms.
- 6 The Plaintiff considers offering the attacked mobile telephones and tablets to be an infringement of its rights in the patent-in-suit. It has filed claims against the Defendants for injunctive relief, information, rendering of accounts as well as for determination of their obligation to pay damages. In addition, it filed claims for destruction and recall against Defendant 1). The Regional Court ordered the Defendants in accordance with the request.
- 7 Upon appeal by the Defendants, the Appellate Court partially amended the judgment of the Regional Court and dismissed the complaint as currently unfounded with regard to the claims for injunctive relief, destruction and recall, as well as with regard to the claims for information and rendering of accounts, insofar as information on costs and profit was requested. The Appellate Court rejected the further appeal.
- 8 With its appeal on points of law, which was granted by the Appellate Court, the Plaintiff seeks the restoration of the judgment of the Regional Court. With their cross appeal on points of law, the Defendants seek the complete dismissal of the complaint.

## Grounds for the decision

- 9 The Plaintiff's admissible appeal on points of law results in the Regional Court's judgment being restored; the Defendants' cross appeal on points of law remains unsuccessful.
- 10 I. The Appellate Court assumed without any error in law that the Defendants use the technical teaching of patent claim 17 by offering and distributing the attacked mobile radio devices and thus infringe the patent-in-suit.
- 11 1. The patent-in-suit relates to re-establishment of a lost radio connection between a mobile terminal and a base station in a cellular radio system (mobile radio network)..
- 12 a) According to the statements in the patent-in-suit, such second and third generation radio systems support real time [RT] services and non-real time [NRT] services. Such services provide the user with the possibility of transmitting information of a certain kind, such as speech, images, or other data. Real time services are used for applications where even interruptions or delays in the connection of just a few seconds are perceived as disruptive; examples include the transmission of speech or video. In contrast, non-real time services are used for applications in which longer interruptions are acceptable, for example when sending e-mails or downloading files (paragraph 3, paragraph 9).
- 13 According to the description of the patent-in-suit, it was provided for in most systems known in the prior art to quickly re-establish an interrupted radio connection between the terminal and the base station.
- 14 The patent-in-suit explains this by means of the example of the 3GPP specifications of ETSI for RRC connections (Radio Resource Control, RRC). These provide for a timer (re-establishment timer) to be started when the mobile terminal has detected the loss of the radio connection. The value of the expiry time, which the timer is set to, may be between 0 and 4095 seconds and is transmitted to the mobile station by the radio network controller (RNC) with a specific control message. If the mobile terminal detects within the expiry time that it is in a service area, i.e. in an area in which it is possible to re-establish the radio connection, the

timer is stopped, and a message is sent initiating the re-establishment of the radio connection. If, however, the predefined time expires before the mobile terminal is in a service area, the mobile terminal enters an RRC idle mode where active communication with the base station is not possible. The large bandwidth of possible values between zero seconds and more than one hour allows the value to be adjusted, taking into consideration the time sensitivity of the service for which the radio bearers of the current radio connection are used (paragraphs 5 to 7, paragraph 37).

- 15 According to the patent-in-suit, this prior art inadequately takes into account the differences in service types, such as those between real time and non-real time services, when active radio bearers are used for both real-time and non-real-time services at the time the radio connection is lost. In such a case, the set expiry time is said not to be appropriate for at least one of the services.
- 16 b) Against this background, the patent-in-suit is based on the task of enabling the different requirements of different types of service to be better taken into account in the event of a mobile connection between a mobile terminal and a network node being lost (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 10).
- 17 c) In order to solve this problem, the patent-in-suit suggests in claim 17 a device of which the features can be analyzed as follows (partially deviating analysis in the judgment of the 10th Civil Senate of the German Federal Court of Justice in the nullity proceedings and the Appellate Court in square brackets [*in italics*]):

1. A communications device for a cellular radio system. [17.1]
2. The communications device comprises means for detecting a loss of a radio connection, [17.1a]
  - 2.1. said radio connection having a plurality of active radio bearers [17.2]
  - 2.2. that belong to a radio resource control connection. [17.2]
3. The communications device comprises means (511, 515, 605) for determining a first expiry time [17.3]
  - 3.1. for a period [17.3]
  - 3.2. during which the re-establishment of the lost radio connection in respect of radio bearers used to provide a service or services of a first category [3.2] is allowable. [17.3, 3.1]
4. The communications device comprises means (511, 515, 605) for determining a second expiry time differing from the first expiry time [17.4, 17.6; 5]
  - 4.1. for a period [17.4]
  - 4.2. during which the re-establishment of the lost radio connection in respect of radio bearers used to provide a service or services of a second category differing from the first category [5] is allowable. [17.4, 17.5, 4.1; 4.2]

18 The object according to the invention is thus essentially achieved by two different expiry times being determined for two different categories of services. This enables radio connection re-establishment to only be permitted within a relatively short period of time for time-sensitive services, for example, and a longer period of time to be specified for less time-sensitive services.

19 Figure 2a shows a communication situation in which an embodiment of the invention is applied: During the period 201, a radio connection exists between the base station (left side) and a mobile station (right side). The loss of the radio connection is detected at the time instant 204. Subsequently, two timers are started in the mobile station. The first one is set to a relatively short expiry time, which reaches until time instant 206 and typically only amounts to a few seconds (paragraph 33). The second timer is set to a longer expiry time which reaches until time instant 208 and may amount to several minutes (paragraph 34).



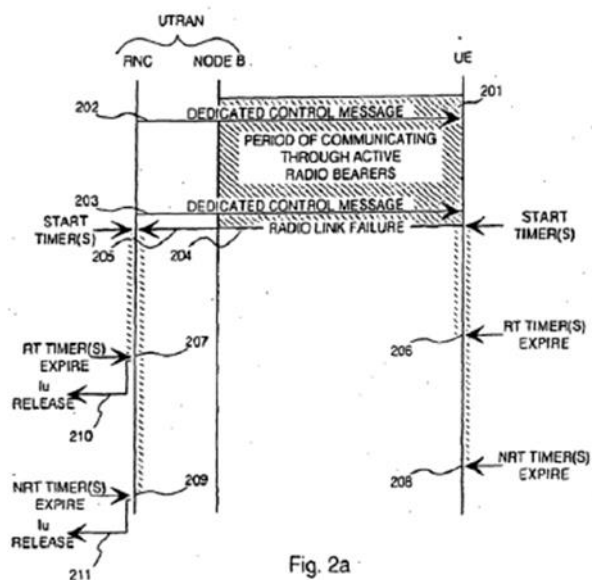


Fig. 2a

20 With respect to a radio bearer used for a real-time service, efforts to re-establish the radio connection are already terminated when the first expiry time has lapsed, i.e., when time instant 206 is reached. In contrast, with regard to a radio bearer used for a non-real time service, such attempts are only made upon reaching the time instant 208. If the mobile terminal is in the service range again before reaching time instant 206, the radio connection is re-established with all radio bearers that were originally active. In the interval between the time instants 206 and 208, the radio connection is only re-established with respect to radio bearers for a non-real time service (paragraph 46).

21 Another embodiment is illustrated in Figure 2b, where the timers are connected in series (paragraph 40: "chaining the timers"). In this example, the second timer is only activated after the time instant 206 has lapsed. It then runs until the time instant 208.

22 2. The Appellate Court assumed that the Defendants use the technical teaching contrary to Sec. 9 German Patent Act and substantiated this as follows:

23 All that was said to be required for feature group 2 to be realized was that the communications device had objectively suitable means by which the loss of a radio connection with several active radio carriers could be detected. This is due to the fact that the use of the apparatus claim was allegedly already to be affirmed if

the features of the patent claim were realized and if the attacked embodiment was objectively suitable for achieving the characteristics and effects in accordance with the patent. The Appellate Court further stated that the Plaintiff demonstrated with regard to the devices Haier W858 that it was possible – without using VoIP – to maintain an Internet connection and a telephone call simultaneously in the attacked embodiments that it examined. This is said to necessarily require that the devices are able to establish a radio connection with at least two active radio bearers; otherwise, they would not be able to provide two services of different categories. The Court claimed that the Defendants did not establish that the Plaintiff's allegation is incorrect.

24 Feature groups 3 and 4 are said not to require first means for determining a first expiry time and separate second means for determining a second expiry time and, in addition, the expiry time does not necessarily have to be greater than 0. The Court further stated that, by means of its test on the Haier W867 device, the Plaintiff proved that the attacked embodiments recognized and implemented different timers; in this respect, the Plaintiff even proved the existence of two timers T314 and T315. Despite the judicial indication, the Defendants are said to have not objected to this statement of fact in a substantiated manner. This is said to apply irrespective of the fact that the Defendants, for their part, have submitted in an uncontradicted manner that Nokia Siemens Networks (NSN), as one of the largest suppliers of base stations, hard codes the value  $T_{314} = 0$  and that the Internet providers operating in Germany do not use any other values, if only because they do not want to infringe method claim 20 of the patent in suit. On the one hand, NSN is said to not be the only manufacturer of corresponding base stations and, on the other hand,  $T_{314} = 0$  is an expiry time in accordance with the patent, which the attacked embodiments can undisputedly determine. The Court states that, as the Defendants' private expert opinion states, the time values are signaled to the terminal by the network node. It further claims that, according to this, the expiry times are indeed prescribed by the network, without the manufacturer of the terminal having any influence on the specific design of these values. Nevertheless, the terminals would allegedly have to be objectively capable of processing the time values specified by the network on their part. It is further stated that these technical circumstances are confirmed in the UMTS standard. The Defendants' argument that the chips implemented in the attacked embodiments are said to not have "re-

establishment timers” in their basic settings, as they are installed, offered and sold by the Defendants, and that these can only be implemented externally by synchronization with a base station, disregards from a legal point of view that, at the time of the act of use, only the objective suitability must be present to determine an initial expiry time within the meaning of the patent-in-suit. In this respect, the Defendants are said to have combined the timers according to the invention and corresponding values for the expiry times; merely the latter is transmitted by the network.

25 Feature 4 is said to require that the communications device comprises means capable of processing the different values for a first and a second expiry time that may be prescribed by the network. It was allegedly not required that different values are always transmitted by the network, without exception. Accordingly, it is stated that the fact that the means can also process time lapse values that are set identically for both timers, even by the value  $T = 0$  in each case, does not oppose the infringement allegation. Even if the passages of the standard referred to only provided optional solutions in this respect, the Plaintiff is said to have proven that feature 4 is realized according to the literal sense by the attacked devices. Based on the test with the Haier W867 model, it could allegedly be determined that the attacked embodiments were objectively capable of processing different values for the first and second expiry times.

26 3. This assessment proves to be without any error in law.

27 a) The question on how patent claim 17 of the patent-in-suit is to be construed is a legal question and can be reviewed by the court handling the appeal on points of law as a whole (cf. German Federal Court of Justice, judgment dated September 7, 2004 – X ZR 255/01, German Federal Court of Justice in Civil Matters 160, 204, 212 – Bodenseitige Vereinzelungseinrichtung; judgment dated May 20, 2008 – X ZR 180/05, German Federal Court of Justice in Civil Matters 176, 311 marginal no. 19 – Tintenpatrone I; judgment dated May 5, 2020 - KZR 36/17, WRP 2020, 1194 marginal no. 26 - FRAND-Einwand I). The Appellate Court’s construction withstands the legal review.

28 aa) The apparatus according to patent claim 17 serves the purpose of improving the situation described in feature group 2 in which a radio connection is lost that

has a plurality of active radio bearers, which belong to a radio resource control connection and are used for services of different categories (cf. German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 10). The necessity of allowing different time periods for re-establishment attempts, depending on the time sensitivity of the respective service, which is described in the patent-in-suit, follows from the simultaneous use of several radio bearers.

29 bb) Feature group 2 requires the communications device to comprise means for detecting the loss of a radio connection characterized by features 2.1 and 2.2. This means, as the Appellate Court correctly assumed and without objection by the parties, that the means characterizing the communications device must be objectively suitable for detecting the loss of such radio connections.

30 cc) According to feature groups 3 and 4, the communications device has to comprise means for determining a first expiry time (feature 3) and a second expiry time (feature 4).

31 (1) The first expiry time indicates the period of time (feature 3.1) during which the re-establishment of the lost radio connection is allowable with respect to the radio bearers used for services of a first category (feature 3.2), and the second expiry time indicates the period of time during which the re-establishment of the lost radio connection is allowable with respect to the radio bearers used for services of a second category that is different from the first category (feature 4.2). A timer to determine whether the specified expiry time has been reached and deactivation of the possibility of re-establishment after that time has been reached are not required by patent claim 17, unlike patent claims 8 and 14 (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 23).

32 The cross appeal on points of law unsuccessfully challenges the Appellate Court's view that the respective expiry time does not necessarily have to be greater than 0 as an error of law. As follows from features 3.2 and 4.2, the time periods should be specified during which the re-establishment of the lost radio connection should be allowable with respect to the radio bearers of the different categories. In such an understanding, the value 0 indicates the exclusion of the possibility of

re-establishment. Against the background that the design of the mobile radio device according to feature groups 3 and 4 should make it possible to set the expiry time value taking into account the time sensitivity of the respective service for which the radio bearers of the current radio connection are used, it may be expedient to exclude attempts at re-establishment from the outset in the case of particularly time-critical services. The description of the patent-in-suit confirms this function-oriented consideration with the indication that it is possible to “turn off” the possibility of re-establishment for RT bearers, that is, to release the RT bearers immediately if the radio connection is lost (paragraph 9, l. 53). This understanding is further confirmed by the description of the prior art in the specification of the patent-in-suit. According to this, the values of the timer T314 in the 3GPP specifications for RRC connections can be between 0 and 4095 seconds (paragraph 7). As can be seen from Table 13.1 of the quoted specification (3GPP TS 25.331 version 3.1.0 Release 1999, Exhibit NK 3, p. 254), the value 0 is an adjustable value, since, in contrast to T313, the initial value is not specified with 1 but with 0.

33 However, this does not change the fact that it has to be possible to set at least one further value for the respective category in addition to the value 0, since, otherwise, the expiry times are not determined by the means, but are prescribed. This bandwidth of possible values allows a flexible adjustment of the value, taking into consideration the time sensitivity of the respective service (paragraphs 5 to 7, paragraph 37).

34 (2) The means for determining the expiry times may be, as can be gathered from the description of the patent-in-suit (paragraph 49, ll. 18 et seq.), a write/read memory or a register, from which the expiry times are read. An independent determination of the expiry times by the communications device is not necessary. The expiry value storage described as an embodiment of the invention may rather be coupled to a signaling detector which receives signaling messages with the currently applicable expiry values from the network. However, the expiry value memory may also comprise fixed expiry time values or a number of fixed expiry time values (paragraph 49, ll. 30 et seqq.).

- 35 (3) As the Appellate Court correctly assumed, separate means for determining the first and second expiry time are not required. Rather, they can be contained in a single functional unit (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 45). The means merely have to be objectively suitable for determining different expiry times for different categories of services. It is not necessarily provided for that this actually takes place (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 25).
- 36 In principle, the protection of a product is not limited to its use for a specific purpose, even if this purpose results directly from the claim. Where indications of purpose, effect and function are – as in the present case – part of a protective claim, they do as a rule participate in its task of determining and thus at the same time limiting the protected subject matter, if they define the device element to which they refer as such, which must be designed in such a way that it can perform the function in question (cf. German Federal Court of Justice, judgment dated May 20, 2008 – X ZR 180/05, German Federal Court of Justice in Civil Matters 176, 311 marginal no. 17 – Tintenpatrone I; German Federal Court of Justice, WRP 2020, 1194 marginal no. 31 - FRAND-Einwand). In the case in dispute, it is sufficient if the communications device is designed in such a way that it can determine the expiry times specified in features 3 and 4 – if necessary in conjunction with the network (cf. marginal no. 34 above).
- 37 It is to be taken into consideration in this regard that two expiry times are at issue here, which are of different relevance with regard to the admissibility of the re-establishment of the lost radio connection. The means according to feature groups 3 and 4 must therefore also be suitable for taking account of this different significance of the two expiry times – for example by the fact that not only the expiry time can be stored in a register, but also the information about the significance of the expiry of this period of time (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 47). It is therefore necessary that the mobile station is set up in such a way that, when the values are transmitted, it can recognize whether it is a first or second expiry time within the meaning of the patent-in-suit, i.e. what significance is attached to the stored

value (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 80).

38 Contrary to the opinion expressed in the cross appeal on points of law, the Appellate Court did not fail to recognize this. In this respect, it has required that the communications device provides objectively suitable means by means of which the loss of a radio connection can be determined in such a way that re-establishment of this radio connection can be carried out with respect to different service categories with different expiry times to which the radio bearers are specifically related. Contrary to the opinion of the Appellate Court and the cross appeal on points of law, timing and deactivation of the possibility of re-establishment after reaching this point in time are not required in claim 17 in this context (German Federal Court of Justice, judgment dated April 28, 2020 – X ZR 35/18, juris marginal no. 23).

39 b) The Appellate Court arrived at the conclusion that the attacked embodiments realize claim 17 without any error in law. The realization of features 1 and 2 is rightly no longer disputed in proceedings on points of law. The Appellate Court assumed without any error in law that the attacked embodiments also comprise means for determining a first and second expiry time in the sense of feature groups 3 and 4.

40 aa) For this, it is already sufficient for the Appellate Court to state that, at least during the transition of control from one radio cell to the next (handover), the attacked embodiments must be able to implement standard values ( $T_{314} = 12$  seconds;  $T_{315} = 180$  seconds) to be specified by the network. Contrary to the objection of the cross appeal on points of law, this finding is not based on a procedural error. The specification of the values by the network is sufficient for the realization of the feature for the reasons stated (marginal no. 36).

41 bb) The Appellate Courts also found that the attacked embodiments detected and implemented different expiry times in the tests conducted by the Plaintiff in which a radio connection loss was simulated, and the network specified different values for  $T_{314}$  and  $T_{315}$ . The cross appeal on points of law unsuccessfully objects to the fact that the Appellate Court based its assessment on the Plaintiff's

tests as being procedurally erroneous; no reasons are given in this respect (Sec. 564 German Code of Civil Procedure).

42 cc) The complaint that the Appellate Court failed to find that the means were also suitable for taking into account the different significance of the two expiry times also remains unsuccessful. Rather, it is clear from the findings of the Appellate Court that the attacked terminals have two timers, T314 and T315, and are capable of processing the time values provided by the network. This means that the values transmitted by the network are allocated to these timers, which are, in turn, allocated to the services (telephony and Internet) addressed by the Appellate Court. According to the findings of the Appellate Court, the communications devices are also suitable for monitoring the expiry times, which, as was explained (marginal no. 38), is not even required by patent claim 17.

43 This also corresponds to the requirements of the standard as emerges from the expert opinion submitted by the Defendants (Exhibit G2). According to this, several connections can be established simultaneously in the standard, and these are divided into different categories. The standard also provides for the possibility of a terminal only supporting one single bearer (Radio Access Bearer, RAB) at a time. In the standard, the categories are compared to connection-oriented and packet-oriented services. A timer is allocated to each category (Exhibit G2, p. 7). The Defendants argue without success that the described assignment for the radio bearers is already carried out by the network in the standard (“use T314”; “use T315”); they state that the communications device thereupon merely carries out the step of reading out and thus determining these values without in any way pursuing any information on meaning or distinguishing between functions of these values. As was stated above, this is not relevant.

44 II. The assumption of the Appellate Court that the claim for relief aimed at ordering the Defendant to cease and desist and to destroy and recall patent-infringing products is nevertheless unfounded because the Defendants’ defense of compulsory license under antitrust law currently prevails does not withstand the attacks of the appeal on points of law.

45 1. In order to justify its decision, the Appellate Court substantially stated in this regard: It states that the Plaintiff has a dominant market position within the



meaning of Art. 102 TFEU. The answer to the question in dispute between the parties, whether the implementation of the standard necessarily requires the use of the patent-in-suit or whether the standard merely optionally provides for the implementation of the technical teaching of the patent-in-suit, can allegedly also be left open in this context. The Court further stated that the use of the patent-in-suit is factually unavoidable because UMTS-capable mobile telephones – in order to be marketable at all – must be able to detect multiple radio bearers. It is also of the opinion that, according to the principles set by the European Union in the matter Huawei/ZTE, an assertion of the claims for injunctive relief, destruction and recall before court is an abusive exploitation of this dominant market position. It further states that the Plaintiff did indeed fulfill its obligation to provide an indication; however, despite the Defendants' declared and continued willingness to take out a license, it did not make them an offer that met FRAND terms.

46 The Court further explained that the willingness to take out a license was only declared about one year after the Plaintiff first issued a notification of infringement on December 20, 2012. However, the failure of a party to complete a necessary step in due time is said to not result in a substantive preclusion; the step in question can in any case be completed before the complaint is filed. Moreover, it is stated that no circumstances emerged in the subsequent period that give rise to the assumption that the willingness of the Defendants or its group to take out a license has disappeared in the meantime.

47 It continues that the offers made by the Plaintiff are an evident discrimination against the Defendants. In addition, the Court claims that, with its licensing offers to one of its licensees, a Chinese state-owned company, the Plaintiff treats the Defendants unequally with respect to the amount of royalties for no valid factual reason.

48 2. The appeal on points of law unsuccessfully attacks the Appellate Court's confirmation of the Plaintiff's characteristic of being the addressee of the standard pursuant to Art. 102 TFEU.

49 a) The Plaintiff has a dominant market position on the licensing market relevant here. As the Senate explained in more detail in its judgment of May 5, 2020 (KZR 36/17, WRP 2020, 1194 marginal no. 54 - FRAND-Einwand), rendered

between the parties to the proceedings, the assumption of an independent license market first requires a finding that the patent is standard-essential, i.e., that the use of the patent-protected teaching is indispensable for the implementation of a standard (standardized by a standardization organization or enforced on the market) (German Federal Court of Justice, judgment dated July 13, 2004 - KZR 40/02, German Federal Court of Justice in Civil Matters 160, 67, 74 - Standard-Spundfass; WRP 2020, 1194 marginal no. 58 - FRAND-Einwand), so that it is generally technically impossible to circumvent the invention without losing functions that are important for the product market (German Federal Court of Justice, WRP 2020, 1194 marginal no. 58 - FRAND-Einwand; cf. ECJ, judgment dated July 16, 2015 - C-170/13, WRP 2015, 2783 marginal no. 49 - Huawei/ZTE; European Commission, order dated April 29, 2014 - C (2014) 2892 marginal no. 52 - Motorola). Moreover, it is a requirement for an independent license market that the technical teaching according to the patent and the standard cannot be substituted by a different technical configuration of the product (German Federal Court of Justice, WRP 2020, 1194 marginal no. 58 - FRAND-Einwand; cf. ECJ, collection 2004, I-5039 marginal no. 28 - IMS Health; German Federal Court of Justice in Civil Matters 160, 67, 74 - Standard-Spundfass).

50 b) It is true that the Appellate Court did not determine whether the standard relevant here only provides realization of the teaching of the patent-in-suit according to the invention as an option and whether the use of only one radio bearer corresponds to the standard. However, it found that such a possibly existing option that is not in accordance with the patent no longer plays a role in practice, which is why the use of the patent-in-suit is in any case factually unavoidable in the context of implementing the requirements of the standard. This is sufficient for the assumption of an independent license market, since a mobile radio device that does not realize the technical teaching of the patent-in-suit is thus not competitive (cf. ECJ, judgment dated April 29, 2004 – C-418/01, collection 2004, I-5039 = WRP 2004, 717 marginal no. 29 – IMS Health; German Federal Court of Justice, WRP 2020, 1194 marginal no. 59 et seq. - FRAND-Einwand).

51 c) The Appellate Court did not fail to recognize that, despite the legal barrier to access in such a case, there may be exceptional reasons which may preclude market dominance by the proprietor of the standard-essential patent (German

Federal Court of Justice, WRP 2020, 1194 marginal nos. 61 et seq. - FRAND-Einwand). However, it was unable to find any indications of this either in the submissions of the parties or in the circumstances of the case; it withstands the review with regard to an appeal on points of law (German Federal Court of Justice, WRP 2020, 1194 marginal nos. 62 et seqq. - FRAND-Einwand).

- 52 3. However, the findings of the Appellate Court do not justify the assumption that the Plaintiff abused this dominant market position.
- 53 a) As the Senate explained in its judgment dated May 5, 2020 (WRP 2020, 1194 - FRAND-Einwand) between the same parties, following the case law of the European Court of Justice (WRP 2015, 1080 marginal nos. 54 et seqq. - Huawei/ZTE), a patent proprietor with a dominant market position who has undertaken vis-à-vis a standardization organization to grant licenses on FRAND terms cannot abuse its market power merely by refusing to conclude a corresponding license agreement with an infringer who is willing to take out a license and by filing a complaint against it for injunctive relief, recall and removal of products from the distribution channels or for destruction of infringing products. Rather, an abuse may also be present if the patent proprietor is to be blamed for not having made sufficient efforts to do justice to the special responsibility associated with the market-dominating position and to make it possible for an infringer who is in principle willing to take out a license to conclude a license agreement on reasonable terms (German Federal Court of Justice, WRP 2020, 1194 marginal nos. 75 et seqq. – FRAND-Einwand; cf. German Federal Court of Justice, order dated December 11, 2012 – KVR 7/12, WuW/E DE-R 3821 marginal no. 15 - Fährhafen Puttgarden II).
- 54 In both cases, the complaint is abusive because – and only because – the infringer willing to take out a license is entitled to have the patent proprietor contractually permit them to use the protected technical teaching on FRAND terms. An abuse of the dominant market position of a patent proprietor does not, in principle, result from contractual terms offered by the patent proprietor before or at the beginning of negotiations as such, which, if contractually agreed, could unfairly hinder, or discriminate against the licensee. Rather, the abuse of market power follows – not unlike in cases of refusal to supply or refusal of access to an

infrastructure facility of the party dominant in the market – only from the refusal of a requested access to the invention per se or from unreasonable conditions for a demanded access from which the patent proprietor is not prepared to deviate even at the end of negotiations (cf. German Federal Court of Justice, order dated September 24, 2002, KVR 15/01, German Federal Court of Justice in Civil Matters 152, 84, 94 - Fährhafen Puttgarden I), thus the refusal to offer to the licensee seeking to conclude a license agreement on FRAND terms, as a result of a negotiation process, such fair, reasonable and non-discriminatory terms as the licensee can claim and is willing to conclude with the patent proprietor.

- 55 b) It follows from the obligation to refrain from such abuse and the special responsibility of the patent proprietor having a dominant market position that it must first point out the infringement of the patent-in-suit to the infringer if the latter is (possibly) not aware of making unlawful use of the teaching of the standard-essential patent by implementing a technical solution required by the standard (ECJ, WRP 2015, 1080 marginal nos. 60-62 – Huawei/ZTE; German Federal Court of Justice, WRP 2020, 1194 marginal nos. 73 et seq. - FRAND-Einwand).
- 56 c) Since the declaration of FRAND commitment does not in principle change the fact that the party wishing to make use of the technical teaching of a patent must obtain a license from the patent proprietor for this purpose (ECJ, WRP 2015, 1080 marginal no. 58 – Huawei/ZTE), further conduct obligations on the part of the patent proprietor having a dominant market position can only arise if and when the user of the protected technical teaching expresses its intention to conclude a license agreement on FRAND terms (ECJ, WRP 2015, 1080 marginal no. 63 – Huawei/ZTE).
- 57 aa) For this purpose, it is generally not sufficient if the infringer, in response to the indication of infringement, merely indicates its willingness to consider the conclusion of a license agreement or to enter into negotiations as to whether and under what conditions a conclusion of an agreement would be possible for them. Rather, the infringer, in turn, has to clearly and unambiguously declare its willingness to conclude a license agreement on reasonable and non-discriminatory terms with the patent proprietor and subsequently also has to cooperate in the

license negotiations in a purposeful manner (German Federal Court of Justice, WRP 2020, 1194 marginal no. 83 - FRAND-Einwand).

- 58 (1) Not unlike in cases of negotiated access to an infrastructure facility, only the willingness of the user of the invention to allow the access to the protected technical solution, which it has already obtained on its own authority through the patent infringement, on a licensing contractual basis for the future can justify the requirement for the patent proprietor having a dominant market position to make an offer to the user for this purpose, to explain this offer in a manner and detail appropriate to the circumstances of the individual case, and to engage in a negotiation on this offer and, if applicable, to engage in a counter-offer by the infringer, in order to thus arrive at a license agreement that regulates the use of the infringed and, if applicable, further patents on fair, reasonable and non-discriminatory terms. This cooperation is the indispensable counterpart to requiring the patent proprietor to accept the infringement of the patent-in-suit as long as the infringer, for its part, makes the efforts that are required and possible and reasonable under the given circumstances to conclude a license agreement on FRAND terms in order to be able to continue to use the teaching in accordance with the patent on this basis (cf. High Court of England and Wales [J. Birss], judgment dated April 5, 2017, [2017] EWHC 711 [Pat] marginal no. 562).
- 59 (2) However, the willingness to license (on both sides) is not only of fundamental importance because the patent proprietor must (and can) only grant a FRAND license to a user of the invention who is willing to do so. It is also indispensable because an appropriate outcome that balances the conflicting interests of both sides can usually only be achieved as the result of a negotiation process in which these interests are articulated and discussed in order to arrive at a fair and appropriate balance of interests desired by both sides. The requirements for the conduct of the patent proprietor and the conduct of the user of the invention are mutually dependent. Since the standard of review is what a reasonable party interested in the successful conclusion of the negotiations in a manner that is in the interests of both parties would do in each case to promote this objective at a particular stage of the negotiations, the requirements to be imposed in detail defy a general definition.

- 60 If one party initially fails to cooperate as required in the conclusion of a license agreement on FRAND terms, this is generally to its detriment. Depending on the circumstances, it may be required to compensate for omissions committed as far as possible. This corresponds to the usual practices of persons interested in concluding an agreement, who, in the event of a delayed reaction to a corresponding offer to negotiate, must normally expect that the other party is no longer interested in concluding an agreement.
- 61 In the case of a standard-essential patent, lower requirements do not result from the fact that the patent proprietor, who has submitted a declaration of willingness to grant a license, has only limited means of exerting pressure by enforcing the intellectual property right by taking legal action if necessary (German Federal Court of Justice, WRP 2020, 1194, marginal no. 64 - FRAND-Einwand) and is dependent on the conclusion of license agreements for the economic exploitation of its patent. On the contrary, the patent infringer may not exploit this structural disadvantage for the purpose of a “patent hold-out” (cf. German Federal Court of Justice, WRP 2020, 1194 marginal no. 64 - FRAND-Einwand) without exposing itself to the accusation of dishonest conduct. Otherwise, the restriction of the enforceability of the patent by complaint for the purpose of avoiding an abuse of market power would lead to another distortion of the conditions of competition in that the patent infringer could obtain an unjustified advantage over such competitors who have to seek a license in due time and therefore have to pay the appropriate remuneration for the use of standard-essential patents.
- 62 (3) If the user made aware of the infringement did not express its interest in a license agreement on FRAND terms for a longer period of time, it is therefore expected to make additional efforts in order to contribute to the possibility to conclude, despite this failure, a corresponding license agreement as soon as possible.
- 63 bb) These requirements regarding the patent infringer’s willingness to take a license are, in contrast to the Defendants’ opinion, in line with Art. 102 TFEU and its interpretation in the case law of the European Court of Justice (WRP 2015, 1080, marginal no. 71 - Huawei/ZTE); they do not require a repeated presentation either.

- 64 (1) As was expressed by the European Court of Justice, the patent proprietor, who made a FRAND declaration, basically does not abuse its dominant market position by filing a complaint for injunctive relief or recall of patent-infringing products, if it made the indicated indication of infringement, if - after the infringer itself expressed its willingness to conclude a license agreement on FRAND terms - it made a specific license offer under such conditions and in this regard specifically stated the royalty as well as the manner of calculation of the same and if the patent infringer, despite it is still using the infringed technical teaching, does not react to this offer with diligence according to the recognized commercial practices as well as according to the principles of good faith, which particularly prohibits it from pursuing dilatory tactics by means of its reaction, prior to filing the complaint (European Court of Justice, WRP 2015, 1080, marginal no. 71 - Huawei/ZTE). In addition, the European Court of Justice considered the infringer to be under the obligation that as of the date on which the patent proprietor rejected a counter-offer made by it, the infringer has to guarantee the feasibility of the patent proprietor's claims arising from the license agreement to be concluded by provision of an appropriate security (European Court of Justice, WRP 2015, 1080, marginal no. 67 - Huawei/ZTE).
- 65 (2) The European Court of Justice thus emphasizes the bilateral obligation of constructive exchange, by means of which a fair balancing of the interests concerned is to be achieved (European Court of Justice, WRP 2015, 1080, marginal no. 55 - Huawei/ZTE; cf. German Federal Court of Justice in Civil Matters 152, 84, 97 - Fährhafen Puttgarden I). In this regard, the special legal and actual circumstances of the specific case are to be appropriately accounted for (European Court of Justice, WRP 2015, 1080, marginal no. 56 - Huawei/ZTE). This means that the compliance with the "negotiation program" sketched out by the European Court of Justice is regularly sufficient to exclude a violation against the prohibition of restrictive practices and thus the objection of an abusive filing of a complaint. Accordingly, the response of the European Court of Justice to the questions referred to it negatively specifies the requirements for negating an abuse of market power. As, however, the affirmation or negation of an abuse always requires that all circumstances of a case are taken into consideration and that the interests of both parties are weighed up against each other, special circumstances may also justify stricter or less strict obligations relating to conduct



(cf. High Court of England and Wales [J. Birss], judgment dated April 5, 2017, [2017] EWHC 711 [Pat] marginal no. 744; UK Supreme Court [Lords Reed, Hodge, Lady Black, Lords Briggs, Sales], judgment dated August 26, 2020, [2020] UKSC 37 marginal nos. 152 et seqq.; Gerechtshof Den Haag, GRUR Int. 2020, 174, 176 marginal no. 4.14). In this regard, the examination of a FRAND objection does not differ from other cases of abuse of a dominant market position.

66 (3) The Defendants unsuccessfully assert that the fact that the European Court of Justice requires a specific written license offer of the patent proprietor *after* the patent infringer expressed its willingness to conclude a license agreement on FRAND terms (WRP 2015, 1080, marginal no. 71 - Huawei/ZTE, emphasis by the Senate), opposes an understanding of the obligation to declare willingness to take a license as a kind of constant mode or continued action. In this regard, it failed to notice that in cases of the present kind, the abuse of market power follows from the party dominant in the market's refusal to comply with the claim of a company on the countervailing market to rightful access to the invention and to grant a license on FRAND terms for this purpose (European Court of Justice, WRP 2015, 1080 marginal no. 53 - Huawei/ZTE). The abusive character of this refusal can be held against the assertion of claims arising from the patent by means of a complaint (European Court of Justice, WRP 2015, 1080, marginal no. 54 - Huawei/ZTE). An abusive refusal of the patent proprietor dominant in the market necessarily requires a continued desire of the infringer to conclude an agreement on FRAND terms and its willingness to contribute to the conclusion of such an agreement, without which a "refusal" of the patent proprietor would amount to nothing.

67 For this willingness to take a license, it is not sufficient that a sincere and final refusal of the patent infringer to conclude an agreement on use under FRAND terms cannot be determined. This is due to the fact that this also misunderstands the principle emphasized by the European Court of Justice, namely that the one intending to use the technical teaching has to obtain a license for this purpose (European Court of Justice, WRP 2015, 1080, marginal no. 58 - Huawei/ZTE). However, the patent infringer already gained access to the use of the invention, for which it owes appropriate payment, in an unauthorized manner and thus - at



least for now - for free, so that a delay of solving the conflict of interest by concluding an agreement involving the obligation to provide a consideration, in contrast to the claims for supplying or access to infrastructure, does not favor the party dominant in the market, but the countervailing market. The “dilatory tactics”, which the infringer is prohibited from and which are explicitly mentioned by the European Court of Justice (WRP 2015, 1080 marginal no. 71 - Huawei/ZTE), exclude an abuse of a dominant market position, are typically constituted by not simply rejecting a license agreement on FRAND terms, but to ostensibly strive for it, while preventing the finding of an appropriate solution in detail or at least delay it for as long as possible.

- 68 (4) In contrast to the Defendants’ opinion, the declaration of willingness to take a license does not constitute a “mere gateway” for the start of the actual negotiations in accordance with the case law of the European Court of Justice either. Rather, the continued willingness to take a license is an inevitable requirement for successful license negotiations and thus also for the allegation of an abuse of market power with respect to the patent proprietor in case of their failure. This also becomes clear from the context of the Huawei/ZTE decision. The guidelines worded by the European Court of Justice are based on a suggestion made by the Advocate General Wathelet. This suggestion was based on the assumption that an abuse could only be considered with respect to a patent infringer that is objectively ready, willing and able to conclude an agreement for a FRAND license (cf. opinion of the Advocate General Wathelet dated November 20, 2014 - C-170/13, juris marginal nos. 74-75, 80). The Advocate General neither considered a mere willingness to conduct negotiations of ZTE, which after a press release of the European Commission dated December 21, 2012 (IP/12/1448) was considered sufficient, to be sufficient, nor considered an unconditional offer for the conclusion of a license agreement in the sense of the Senate’s Orange Book decision (judgment dated May 6, 2009 - KZR 39/06, German Federal Court of Justice in Civil Matters 180, 312, marginal no. 29) to be absolutely necessary (cf. opinion of the Advocate General Wathelet dated November 20, 2014 - C-170/13, juris footnote 19). As for the rest, this also corresponds to the opinion of the Commission in an order preceding the decision of the European Court of Justice, wherein the Commission expressed that a patent proprietor is allowed to request and enforce an order for injunctive relief against a potential licensee, if it is

unwilling to conclude a FRAND agreement (order dated April 29, 2014, COM[2014]2892 final marginal no. 427 [c]). According to the commercial practices recognized in all areas of commercial life and also emphasized as relevant by the European Court of Justice, such an objective willingness to conclude a FRAND license agreement regularly can be seen in the active support of the negotiations oriented towards the common goal of a successful conclusion. In this regard, the negotiation steps of parties interested in the conclusion of an agreement are based on each other. Therefore, there is always an obligation to support, if and in this regard according to the commercial practices and the principles of good faith, the next step in the negotiation can be expected (cf. regarding Sec. 203 German Civil Code in “Suspension” of negotiations: German Federal Court of Justice, judgment dated November 8, 2016 - VI ZR 594/15, NJW 2017, 949 marginal no. 16 with further references).

- 69 cc) A willingness to take a license that is understood in this regard is by no means unnecessary, but also keeps its relevance when the patent proprietor made a license offer to the infringer (at the beginning of Kühnen, Hdb. Patentverletzung, 13th ed., chapter E, marginal nos. 394 et seqq.; Regional Court of Düsseldorf, order dated November 26, 2020 - 4c O 17/19 juris, marginal no. 37).
- 70 (1) The offer, by means of which the patent proprietor complies with its special responsibility as the party dominating the market of giving the user of the invention the possibility to conclude a license agreement on FRAND terms, is not the end point, but the starting point of the license negotiations. In any case, in the complex facts and circumstances, as they are typically present in the licensing of standard-essential patents, it is regularly not obvious, which agreement conditions in the specific case (cf. Gerechtshof Den Haag, GRUR Int. 2020, 174, 179 marginal no. 4.34) correspond to the requirements of the appropriate balance of interest and at the same time do not violate the ban on discrimination under anti-trust law. In addition, there usually is not the *one* license agreement corresponding to FRAND terms, but a series of possible, appropriate solutions (cf. High Court of England and Wales [J. Birss], judgment dated October 23, 2018, [2018] EWCA Civ 2344, GRUR Int. 2019, 357 marginal no. 121; Higher Regional Court of Karlsruhe, GRUR 2020, 166 marginal no. 95; regarding Sec. 19(4) no. 4 German Act against Restraints of Competition (old version) cf. German Federal

Court of Justice in Civil Matters 152, 84, 96 - Fährhafen Puttgarden I). A consideration of potentially legitimate interests of the user is only possible to the patent proprietor once it is aware of them.

- 71 Therefore, it is specifically the purpose of the negotiations to achieve a fair and appropriate final result and to achieve this purpose to articulate the interests of both parties and to put factual and legal aspects up for discussion that may be important to this result, at least from one negotiation party's point of view (cf. Communication of the European Commission dated November 29, 2017 regarding the EU approach to standard-essential patents dated November 29, 2017, COM[2017] 712 final, p. 7). It is therefore up to the user of the invention to examine the offer of the patent proprietor with regard to whether in terms of content, it requires further information from the patent proprietor's side and whether and potentially to what extent the structure of the offer or individual ones of its regulations, in particular the intellectual property rights, the agreement is to cover and the amount and calculation method of the royalty, (potentially) do not correspond to FRAND terms from its point of view. It may potentially be coerced to make a counter-offer; when this is the case, however, depends on the individual case and also in this regard depends on the common and recognized commercial practices and the principles of good faith. In particular in case of a license offer of the patent proprietor obviously not complying to FRAND terms, which upon objective assessment appears not to be sincere and thus as a refusal to conclude a license agreement on FRAND terms (cf. German Federal Court of Justice in Civil Matters 152, 84, 92 - Fährhafen Puttgarden I), the explanation why the offer obviously does not comply with FRAND terms, may be sufficient as a reaction of a user of the invention seriously seeking a license. What is relevant, is the reaction of which the user if the invention may assume that by means of it, the conclusion of a license agreement under FRAND terms can - assuming a corresponding willingness on the patent proprietor's side - be properly supported.
- 72 (2) If, despite the missing willingness to take a license of the user of the invention, the patent proprietor made an (at least essentially complete) agreement offer to the latter, the user thus has to discuss this in a matter that shows that it now pursues the goal of arriving at a result that is in accordance with the interests of both parties as soon as possible. In this regard, it is relevant whether and

to what extent the content of the patent proprietor's agreement offer already corresponds to the requirements of the agreement to be concluded with respect to fair, reasonable and non-discriminatory conditions for using the intellectual property rights covered by the agreement in every aspect.

- 73 (a) If the patent proprietor was under the obligation to immediately make an offer that anticipates the appropriate result of license agreement negotiations that are in accordance with the interests of both parties, no negotiations and no counter-offer of the user, who does not want to accept the offer of the patent proprietor, would be necessary.
- 74 (b) What is of even greater importance is the consideration that neither out of court nor in court proceedings is it possible to examine the content of a complex license agreement abstractly with regard to whether all agreement conditions comply with the requirements for a fair, reasonable and non-discriminatory wording of the use of the intellectual property rights covered by the agreement. Rather, this regularly can only be assessed if the party that does not, or at least not easily, want to accept the agreement condition suggested by the other party, asserts the aspects that from this party's point of view, oppose the appropriateness of the agreement condition or at least cast doubt on this appropriateness, and if the other party then either accounts for these concerns by either amending or supplementing its suggestion or explaining why it is of the opinion that these concerns are not convincing (cf. German Federal Court of Justice in Civil Matters 152, 84, 97 - Fährhafen Puttgarden I). In this regard, it is obvious that arguments and counter-arguments are defined by the interests, which oppose each other from the outset, of the parties, one of which wants to achieve the highest possible remuneration for the use of the intellectual property rights covered by the agreement while the other wants to pay the lowest possible remuneration for this. Specifically for this reason, a negotiation process that results in a balance of interests sought for by both parties is necessary. Even if the parties' efforts to achieve a mutual agreement fail in the end, they may, as they comprise indications with regard to which interests are to be taken into consideration in detail and how they are to be weighed, form the basis for a potentially necessary court decision with regard to the extent to which the conflicting opinions expressed with regard to the individual aspects in dispute are compatible with the principle of obligation

to license on FRAND terms (cf. German Federal Court of Justice in Civil Matters, 152, 84, 97 - Fährhafen Puttgarden I).

- 75 (c) As regularly, only the efforts of both parties to achieve a balance in accordance with the interests may lead to an agreement on FRAND terms, the willingness and the declared readiness of the infringer to achieve an appropriate solution and contribute to this, are particularly necessary in cases in which, despite the - so far, in any case - missing willingness to take a license, an offer was made by the patent proprietor. The consideration that the patent proprietor is “not in need of protection”, because it is easily possible for it to make an offer on FRAND terms, which only causes - to the extent that it is actually fair, appropriate and non-discriminatory - further obligations regarding the conduct of the infringer (according to Kühnen, Hdb. Patentverletzung, chapter E marginal no. 396), already misses the point due to this dependency of the FRAND conformity of a specific content of the agreement on the result of the negotiation process.
- 76 As for the rest, it again misunderstands that an abuse of the patent proprietor’s dominant market position does not already follow from an offer that does not correspond to FRAND terms *as such*, but that this abuse rather lies in prohibiting the infringer from or making it impossible for them to negotiate and conclude a FRAND license agreement, which, in view of the interests expressed in the negotiation process, is in accordance with the interests (and instead enforcing the patent or one of the licensed patents by means of a complaint).
- 77 dd) These requirements also correspond to the law of the European Union as construed by the Court of Justice in the Huawei/ZTE judgment, and do not have to be presented again. According to this, it is up to the infringer to respond to the patent proprietor’s offer with diligence in accordance with recognized commercial practices in the field and in good faith, a point that must be established on the basis of objective factors and which implies, in particular, that there are no dilatory tactics (European Court of Justice, WRP 2015, 1080, marginal no. 65 - Huawei/ZTE). The assessment whether dilatory tactics are used, which is to be carried out on the basis of objective aspects, thus is also to be made on the basis of the infringer’s reaction to the offer and is therefore not limited to the declaration of the desire to take a license alone. This is also appropriate. The declaration

of a desire to take out a license or of the willingness to negotiate in itself, does not say anything about whether this declaration is sincere. Rather, it may also be an effluence of dilatory tactics of the patent user (cf. German Federal Court of Justice, WRP 2020, 1194 marginal no. 82 - FRAND-Einwand), which, in order to protect the patent proprietor and the competition between the patent users, must not be accepted. This is why the further conduct of the infringer is to be focused upon according to the case law of the European Court of Justice as well. According to this, dilatory tactics particularly - but not exclusively - come into consideration if the patent user does not react to the declarations of the patent proprietor within an appropriate time limit, in particular if it rejected the patent proprietor's offer while at the same time failing (although this could be expected according to the specific circumstances of the individual case according to the common practice and the principle of good faith, cf. marginal no. 71) to make a specific written counter-offer corresponding to FRAND terms within a brief period of time. This is the reason why - as was explicitly stated by the European Court of Justice - in this case, the patent infringer cannot refer to the abusive nature of a claim for injunctive relief or recall (European Court of Justice, WRP 2015, 1080, marginal no. 66- Huawei/ZTE) and why the same applies if, despite its counter-offer having been rejected, the infringer keeps using the patent, while refraining from providing an appropriate security according to the practice recognized in the relevant field (European Court of Justice, WRP 2015, 1080 marginal no. 67 - Huawei/ZTE).

78 Under which further circumstances not mentioned by the European Court of Justice, a missing willingness to take a license of the patent infringer is at hand, depends on the individual case, the assessment of which is up to national courts (cf. European Court of Justice, judgment dated May 20, 2010 - C -160/09, Slg 2010, I-4591 marginal no. 24 - Ioannis Katsivardas/Nikolaos Tsitsikas; European Court of Justice, WRP 2015, 1080 marginal no. 70 - Huawei/ZTE; opinion of the Advocate General Wathelet dated November 20, 2014 - C-170/13, juris marginal no. 76; UK Supreme Court, judgment dated August 26, 2020, [2020] UKSC 37 marginal no. 157) and is basically the task of the trial judge.

- 79 ee) Whether according to these standards, the complaint of the patent proprietor for injunctive relief, recall or destruction is abusive, may have to be assessed differently for different points in time.
- 80 (1) Whether the filing of the complaint is an abuse of the patent proprietor's dominant market position because it serves the purpose of enforcing a refusal to grant a license to a company willing to take a license, is to be assessed on the basis of the actual situation at the time the complaint was filed. If at this time the infringer's willingness to take a license is already missing, the specific conditions offered by the patent proprietor for the license agreement at this time, are not relevant.
- 81 (2) If the filing of the complaint is not abusive, the prosecution of the claims of the complaint and thus also the defense of an - as in the present litigation - already obtained first-instance judgment against the appeal of the infringer may nonetheless appear to be abusive.
- 82 The user of the technical teaching of the invention is - until the limit of forfeit - still entitled to the claim against the patent proprietor dominant in the market for a licensing on FRAND terms, even if it first of all does not assert it, because it is not ready to conclude a license agreement on FRAND terms. Therefore, the infringer is basically allowed to assert the claim in a subsequent manner.
- 83 However, this does not necessarily mean that by filing this licensing claim as an objection, the infringer may also oppose the claim for injunctive relief already asserted by means of complaint or already granted in the first instance. In this regard, it is rather relevant whether, with regard to the subsequently declared willingness to take a license, the patent proprietor acts in an abusive manner when pursuing the claims of the complaint. This requires careful examination in the individual case. The longer the infringer first waited to assert its claim for licensing, the higher the requirements, as stated (marginal no. 60), for its contribution to achieving a license agreement on FRAND terms are to be set in this regard.
- 84 d) Thus, the Appellate Court assumed, free from any errors in law, that the Plaintiff is not guilty of abusing its dominant market position for the reason that it did not sufficiently inform the Defendants of infringement of the patent-in-suit



and its willingness to grant a license in it on FRAND terms. As the Senate explained in more detail in its judgment dated May 5, 2020, the letter dated December 20, 2012 and two further letters from 2013 comply with the requirements for an indication of infringement (German Federal Court of Justice, WRP 2020, 1194, marginal nos. 86 et seqq. - FRAND-Einwand).

- 85 e) However, what does not withstand review with regard to an appeal on points of law is that the Appellate Court assumed that the Plaintiff abuses its dominant market position because, despite a previous declaration of willingness to take a license, it did not offer a license agreement on FRAND terms to the Defendants or its parent companies (in the following also: Haier), and rather, the agreement conditions offered to Haier are discriminatory.
- 86 aa) The findings of the Appellate Court do not justify the assumption that Haier did declare itself willing to conclude a license agreement on FRAND terms.
- 87 (1) The Appellate Court correctly found that the email of December 17, 2013 (AR 41, pp. 3/4), meaning almost one year after the first indication of infringement, already does not comply with the requirements for an infringer willing to take a license in terms of time. As a rule, an infringer who does not respond to the notification of infringement for several months indicates by this that it is not interested in taking out a license (German Federal Court of Justice, WRP 2020, 1194 marginal no. 92 - FRAND-Einwand). The Defendants unsuccessfully assert that the decision of the European Court of Justice does not contain any clear determinations with regard to which requirements in terms of time are to be set for the exchange of mutual declarations. This is due to the fact that the infringer's reaction to the patent proprietor's offer has to be made with the diligence required according to recognized commercial practices in the relevant field as well as good faith (European Court of Justice, WRP 2015, 1080, marginal no. 71 - Huawei/ZTE). As the infringer's conduct must not aim at a delay of the offered negotiations - and thus in particular their start - the same has to apply to the reaction to the indication of infringement - and thus the declaration of willingness to take a license by the infringer (cf. Gerechtshof Den Haag, GRUR Int. 2020, 174, 176 marginal no. 4.14).



- 88 (2) The appeal on points of law successfully opposes the assumption of the Appellate Court that the declaration dated December 17, 2013 is nevertheless a sufficient declaration of willingness to take out a license in terms of content. As the Senate already stated in its judgment dated May 5, 2020 (German Federal Court of Justice, WRP 2020, 1194, marginal no. 94 et seqq. - FRAND-Einwand) - neither this nor the further statements of the Defendants and their parent companies found by the Appellate Court sufficiently express the Defendants' will and sincere readiness to conclude a license agreement. After repeated examination, the Senate maintains this finding.
- 89 In the letter, merely the hope that formal negotiations will be entered was expressed and information regarding a held out discount is requested. If the willingness to take a license was genuine, it could have been expected in view of the months of silence following the declaration of willingness to take a license that Haier expressed to now be willing to do everything to support the negotiations. This required, as stated (marginal nos. 60, 83), additional efforts in order to contribute to the fact that the license agreement can be concluded as soon as possible, irrespective of this failure.
- 90 The will of Haier to assert a licensing claim and to move forward the clarification of fair, appropriate and non-discriminatory conditions of a licensing cannot be gathered from the further content of the letter either. Rather, the hesitant - and thus almost delaying - conduct is continued in that it is pointed out that they will not find the time to examine the case and make a decision before the new year (AR 41, p. 3). With regard to the upcoming turn of the year and the mentioned discussion of the annual reports and the plans for the next year carried out by the management, a first examination may indeed not have been possible prior to the turn of year. However, a first examination was not at issue. Haier had already been informed about the Plaintiff's willingness to grant a license, the use of the patent-in-suit and the "Wireless Patent Program" by briefs dated December 20, 2012, August 22, 2013 and November 11, 2013. In view of this and under the indicated objective consideration, the Plaintiff was unable to understand Haier's indication to the upcoming turn of year and the necessity of examination in the sense of a sincere license wish and the readiness to support negotiations regarding the content of a license agreement. Against the background of the conduct so far

shown by Haier, it was particularly not apparent to the Plaintiff that an examination after the turn of year was announced for any other purpose than achieving a further delay. According to the undisputed findings of the Appellate Court, the Defendants did not establish any objective reasons for the fact that and why it should not have been possible to or expected of Haier to declare the use of the patents of the portfolio by means of its mobile radio devices earlier, either.

91 (3) The Defendants unsuccessfully assert that in the context of the other correspondence between the parties, it is far-fetched to assume that they or their parent companies were not willing to take a license. The fact that at that time, Haier already was a licensee of different other license pools of the Plaintiff, does not change anything about the fact that according to the objective standpoint of the recipient, the Plaintiff could not assume that Haier was ready to conclude a license agreement on FRAND terms authorizing the use of the technical teaching of the patent-in-suit. The fact that at that time, the Plaintiff's license scheme was in launch phase, is not relevant for the understanding of Haier's explanations.

92 The fact that the Plaintiff responded to the email of the IP Director of Haier even on this same December 17, 2013, among other things, that it could provide them with further information regarding an "early-bird discount", after the reception of a non-disclosure agreement (AR 41, p. 2) and that as a consequence, such information was exchanged, does not justify a different point of view. The meeting of the parties on February 17, 2014, during which details regarding the license scheme were discussed, but which, according to the findings of the Appellate Court, did, however, not render any results, and the Plaintiff's license offer dated August 29, 2014 (AR-B 39) are just as unable to justify the conclusion that Haier was clearly and unambiguously ready to conclude a license agreement on FRAND terms. This is due to the fact that also in this regard, only an unspecific willingness to negotiate can be determined, which became apparent, with regard to the previous history from the Plaintiff's point of view, to be an expression of dilatory tactics by Haier. In the letter accompanying the offer dated August 29, 2014 (AR 50), the Plaintiff also criticizes that no substantial development is recognizable since February of that year, and, according to the findings of the Appellate Court, the Plaintiff's offer was already rejected by Haier on September 1, 2014 without a counter-offer.

- 93 (4) The Appellate Court only reviewed the further letters of the IP Director of the Defendants' parent companies with regard to the aspect of whether they provided any reason to assume that the willingness to take out a license that had existed originally, had ceased to exist in the meantime. The unambiguous declaration of willingness to conclude a license agreement under appropriate and non-discriminatory conditions cannot be gathered from the letter dated January 16, 2016 (AR 51, p. 8 et seq.).
- 94 (a) As the Appellate Court established correctly, this already follows from the fact that it comprised the declaration that Haier was, if German courts finally found an infringement and the legal validity of the patent-in-suit as well as of the further European patent 852 885 asserted in the litigation decided upon by means of the Senate's judgment dated May 5, 2020, willing to take a FRAND license and pay royalties.
- 95 Such a declaration of willingness to take out a license is insufficient (German Federal Court of Justice in Civil Matters 180, 312 marginal no. 32 - Orange-Book-Standard; German Federal Court of Justice, WRP 2020, 1194, marginal no. 96 – FRAND-Einwand). In contrast to the Defendants' opinion, this does not have to be further clarified by the European Court of Justice. The Court of Justice clarified that, *in addition to* negotiations regarding the grant of licenses, the patent infringer is free to contest the legal validity of the patents to be licensed or to dispute the use or to reserve the right to do so (European Court of Justice, WRP 2015, 1080 marginal no. 69 - Huawei/ZTE). This, however, does not change anything about the fact that the user of a patent, if it is not the proprietor, generally has to obtain a license before every use (European Court of Justice, WRP 2015, 1080, marginal no. 59 - Huawei/ZTE) and is acting at its own risk when it is of the opinion that it may do without this due to a lack of legal validity or lack of infringement. A conditional willingness to take a license cannot lead to an unconditional conclusion of an agreement; this, however, is the only obligation of the patent proprietor. This does not necessarily exclude that in the license agreement, the patent infringer is reserved the right to question the use of the license (cf. also opinion of the Advocate General Wathelet dated November 20, 2014 - C-170/13 opinion no. 5).

96 (b) The lack of willingness to take a license can also be seen in the letter dated January 16, 2016, wherein, with regard to all patents of its portfolio. the Plaintiff is requested to make further specifications, to what extent these patents are supposed to be infringed. Against the background that the Plaintiff already informed Haier about the patents covered by the “Wireless Patent Portfolio” by means of its letter dated December 20, 2012, that Haier thus had more than three years to discuss the question of infringement and use of the portfolio and that the examination was, among others, announced in the letter dated December 17, 2013, this justifies, upon acknowledgment of all circumstances, the conclusion that Haier - and thus the Defendants - were still not interested in reaching an agreement with the Plaintiff.

97 If it intends to license not a single patent, but a patent portfolio, the patent proprietor is indeed under the obligation to provide the patent infringer with sufficient information regarding the patents covered by the portfolio. This obligation, however, does not exceed what the proprietor of a portfolio of standard-essential patents *bona fide* has to establish in contractual negotiations on a portfolio license, if a license is desired to be granted by it, by means of which a company intends to put the use of those intellectual property right it needs for the implementation of a standard, on a secure legal basis. Similar to the indication of infringement, it is sufficient to establish the type of the individual relevant functions and their implementation. In this regard, detailed technical or legal explanations regarding the individual patents are not necessary; in this regard, the user of the invention only has to be enabled - with the help of an expert, if necessary - to grasp the extent of the meaning and scope of the patent portfolio with regard to the standard. Further explanations are not necessary in this regard, for the sole reason that without specific indications, the patent proprietor does not have to assume that the licensee wants to set itself limitations regarding the future use of the functionalities covered and enabled by the standard, in any case. In case of any unclarities about whether the infringement allegation is justified, *bona fide* negotiation partners can be expected to enter into a discussion (cf. German Federal Court of Justice, WRP 2020, 1194 marginal no. 98 - FRAND-Einwand).

98 To the extent that during the oral hearing on November 17, 2016, the parties consistently declared that it is usual in the industry to present a list of the 10 to 15

most important intellectual property rights (“proud list”) in order to enter negotiations, this does not change anything about the fact that the company willing to take a license is under the obligation to grasp the extent of the standard-essentiality of the intellectual property rights of the portfolio and of the scope in which it depends on the use of the portfolio for a rightful production of products complying with the standard itself. The fact that the presentation of a “proud list “ is not required, already follows from the fact that it typically only covers a small fraction of the patents and thus does not enable the infringer to extensively examine the portfolio.

99 The Plaintiff already met its obligation by letter dated December 20, 2012. With this, it included a list of approximately 235 patents belonging to patent portfolio. In view of Haier’s announcement in the letter dated December 17, 2013, to examine the patents, the Plaintiff could legitimately assume that Haier at least carried out a summary examination of the subject matters of a patent and the standard-essentiality. As follows from the Plaintiff’s letter dated February 15, 2013 (AR 41, p. 9), this was again communicated to the Plaintiff in a call with the IP Director of Haier on the same day. Haier informed the Plaintiff in its email on February 19, 2013 that the analysis continues due to the plurality of patents (“Involved large number of patents, still analyzing, thanks”). The fact that Haier, despite a sufficiently long examination deadline being granted by the Plaintiff, later insisted on its formal point of view that the Plaintiff is under the obligation to present “claim charts” for all patents indicates, particularly against the background that Haier first did not react to the indication of infringement and the offer of a portfolio license at all, that Haier was less interested in a successful termination of negotiations than in further delays (German Federal Court of Justice, WRP 2020, 1194, marginal no. 98- FRAND-Einwand), especially since in its letter dated December 11, 2015 (AS 9), the Plaintiff referred to its website comprising information regarding which technical specifications of the standards mentioned thereon (by stating the individual sections), are covered by patent families of the Plaintiff’s patent portfolio.

100 (5) To the extent that the Appellate Court gathers from the brief dated March 23, 2016 (K 51, pp. 2 et seq.) submitted during the appeal proceedings, that Haier was (still) willing to take a license, this does not follow from the brief’s content.

Indeed, the willingness to take out a FRAND license is declared therein, but at the same time, it is pointed out that one's position has not changed (*"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 perspective as the recipient, this had to be understood to mean that the inadmissible conditions expressed in the letter dated January 16, 2016 was to be maintained.

101 In contrast to the Defendants' opinion, this understanding of the Defendant does not contradict the letter's content of explanation as a whole. As a response to a letter of the Plaintiff dated March 17, 2016 (AR 51, pp. 3 et seq.), Haier asks the latter to not keep repeating the allegation of delaying the proceedings; the information provided by the Plaintiff with regard to the patents of the portfolio that were not asserted by means of complaint, is not sufficient. If the Plaintiff presented claim charts, from which it can be gathered that these patents could be standard-essential, they could be taken into consideration in Haier's counter-offer. Haier further points out that the Plaintiff never explained the calculation of the royalty proposed by it. It is correct that the letter did not make explicit statements regarding the legal validity and the patent infringement. It further does not comprise any indication for the assumption that Haier does not maintain the statement in the letter dated January 16, 2016; this applies all the more as shortly before, in the letter dated March 7, 2016, it pointed out that the question of infringement and the legal validity of the patent-in-suit were not yet confirmed (AR 51, pp. 4 et seqq.). Rather, the Plaintiff had to gather from this that due to a lack of an infringement and legal validity being found in a final and legally binding manner, further information regarding the further patents of the portfolio, the requirement of which Haier did not substantiate by means of a deficit of information, but merely by means of an alleged obligation of the Plaintiff according to the principles of the Huawei/ZTE judgment anyways, would not help it, and Haier was not interested in the conclusion of a license agreement, but only in destroying the claim for injunctive relief granted by the Regional Court by means of alleged failures of a company dominant in the market when offering a FRAND license.

102 (6) A willingness to conclude a license agreement on FRAND terms did not follow from the previous license agreement offers of Defendant 1) dated October 13, 2014 (G 4) and both Defendants dated August 12, 2015 (G 19, a few weeks prior to the date for the oral hearing before the Regional Court on September 29, 2015) as well as dated September 21, 2015, either. In this regard, a decision whether these offers, when considered individually, corresponded to FRAND criteria, does not have to be made. This is due to the fact that the willingness to sincerely discuss the offers of the Plaintiff, particularly its demand for a portfolio license, cannot be gathered from the offers. Only the patent families comprising the patent-in-suit and the patent-in-suit in the parallel proceedings ought to form the subject matter of the license. With regard to the fact that Haier had time to examine the Plaintiff's "wireless standard" since it received the Plaintiff's letter dated December 20, 2012 and that it announced such an examination, among others, in its letter dated December 17, 2013, the Plaintiff may at least have expected that the Defendants stated substantiated factual reasons why they were of the opinion that they were entitled to a claim for selective licensing of specifically those two patents-in-suit, on basis of which they are threatened by adjudgment by the Regional Court and to be allowed to refuse that worldwide portfolio license at which the Plaintiff's efforts lasting since December 2012 have been aiming. Instead, as can be gathered from the letter dated September 21, 2015 (G 15), the Defendants maintain, among others, their formal point of view that the Plaintiff is not allowed to demand the taking of a license in the complete, apparently arbitrarily composed, patent portfolio "Wireless Licensing Program", without first explaining for each patent how and why it should be infringed.

103 Even if a declaration of willingness to take a license could be gathered from the agreement offers, it incidentally would have to be taken into consideration that in its letter dated January 16, 2016, Haier also only declared the willingness to take a license under one condition and thus, a willingness to take a license that had been declared in the meantime, would have ceased to exist in any case. Against this background, it further is not relevant that in the time period between November 2015 and April 2016 alone, a plurality of further emails has been exchanged between the parties. This is due to the fact that these emails primarily discuss the demands of Haier and the Defendants for a further specification of the patent infringement by the portfolio patents and the calculation of the royalty



by the Plaintiff. No sincere willingness to take a license of Haier can be gathered from this correspondence either.

104 bb) An abuse of the Plaintiff's dominant market position by pursuing the claims of the complaint further does not follow with regard to the license (counter-)offer (G 46) made by the Defendants via their representatives on January 20, 2017 - and thus four weeks prior to the termination of the oral hearing in the appellate proceedings on February 16, 2017.

105 (1) According to the findings of the Appellate Court, the Defendants reacted to a group- and worldwide license offer made to Haier by the Plaintiff (AR 63) by letter dated December 20, 2016, which was preceded by an earlier offer dated December 9, 2015 (AR 51, pp. 14 et seq.) that was rejected by Haier, by means of this agreement offer, which they connected to the provision of security in the overall amount of EUR 15,000. The Appellate Court assumed that by their counter-offer dated January 20, 2017, the Defendants confirm their willingness to take a license. In this regard, it did not specify whether the offer comprised FRAND terms; this is allegedly not relevant, as the Plaintiff's offer was discriminatory.

106 (2) This does not withstand review with regard to an appeal on points of law. Even if, particularly with regard to the amount and the calculation of the royalties, the Plaintiff's offer, as was assumed by the Appellate Court, treated Haier worse than another licensee of the Plaintiff without factual justification, no abuse of the dominant market position did yet follow from this.

107 (a) As up to that point, neither the parent companies of the Defendants nor the latter itself declared their readiness and showed their unconditional will to conclude a license agreement on FRAND terms with the Plaintiff, the Plaintiff did not abuse its dominant market position, neither by filing the complaint nor by defending the Regional Court judgment against the Defendants' appeal. The license conditions offered by them at that point are, as established (marginal no. 56), not relevant in this regard. The content of later agreement offers is all the more irrelevant in this regard.

108 (b) The found facts and circumstances further do not support the assumption that according to the Defendants' offer made on January 20, 2017, shortly after



the termination of the oral hearing in the second instance, the pursuing of the claims of the complaint directed at injunctive relief, destruction and recall granted by the Regional Court, proves to be abusive.

109 By means of this agreement offer and the explanations in this regard in the brief of the same date as well as in subsequent briefs, the Defendants did not declare a sincere willingness to take a license either. Against the background of a lack of willingness to conclude a license agreement on FRAND terms as has previously been shown for several years and also after the adjudgment by the Regional Court on basis of the patent-in-suit, additional efforts, as established (marginal nos. 60, 83), would have been necessary to contribute to the realization of an appropriate solution according to the principles of good faith. Neither the agreement offer nor its explanations comply with this.

110 (aa) In the Defendants' offer of an agreement – worded independently of the text the Plaintiff had suggested last – the licensee is not the parent companies of the Defendants or the Haier group, but only the Defendants themselves. Under Art. 4.2, royalties are payable only for products (manufactured or) put into circulation by the licensees in states where a licensed patent was granted. The patent families referred to as NKO-02 through NKO-45 are listed as licensed intellectual property rights. The royalties are to be calculated using the formula  $R = A \times B \times C$ , wherein A corresponds to a royalty rate of 0.012% for each patent family, B corresponds to the number of patent families, and corresponds C to the net selling price of a licensed item, wherein only patent families which are essential for the implementation of the “Wireless Standard” defined in Art. 1.21 are taken into account. Art. 4.4 “clarifies” that the licensees (only) deem patent families NKO-2, 3 (including the patent-in-suit of proceedings KZR 36/17), 5, and 30 (including the patent-in-suit of the present proceedings) potentially essential within this meaning (“consider ... being likely being essential” [sic!]).

111 In their brief dated January 20, 2017, the Defendants essentially justified this as follows:

112 In the Defendants' opinion, the Appellate Court's opinion that generally no concern existed against group- and world-wide per-unit portfolio royalties is to be opposed. They argue that, since the Plaintiff does not offer a group-wide license

but rather belongs to a group, the companies of which market various license schemes, it cannot expect licensing by the Haier group either. The Defendants contest that group-wide licensing is common and say that the Plaintiff cannot invoke it at any rate.

- 113 The Defendants continue that, even though the Plaintiff did not provide any patent specifications and standard documents regarding the presented “proud list”, they – the Defendants – dealt with the submission stating that the Plaintiff’s portfolio contains 33 standard-essential patent families. The Defendants say that “claim charts” were only presented regarding the 13 patent families of the Plaintiff’s “proud list” (NKO-2, 3, 5, 11, 12, 16, 18, 19, 30, 32, 35, 36, and 44). They continue that, of these patent families, patent families NKO-3 and 30 (including the patent-in-suit) were classified as potentially standard-essential with a view to the explanations of the Appellate Court, with arguments for a lack of standard-essentiality existing in each case. According to the Defendants, the examination of additional eleven patent families showed that only families NKO-2 and 5 potentially were standard-essential, too; this is not specified in more detail. The Defendants state that, a “humble list” presented by them – the Defendants – also shows that the other patent families, NKO-6, 8, 10, 13, and 26 are not standard-essential.
- 114 The Defendants elaborated on this submission in more detail in their briefs of February 8, 2017 and February 9, 2017.
- 115 (bb) This reaction and the reasoning provided for it do not constitute an examination of the Plaintiff’s offer or an offer of their own in any respect, of which an infringer willing to take a license could assume to make a contribution adequate in the situation and at the time of the offering to effecting a license agreement on FRAND terms, as the Senate may assess itself based on the determined content of the offer of an agreement and in view of the lacking assessment by the Appellate Court.
- 116 i. For this purpose, the fact alone that only the Defendants wanted to be the licensees irrespective of the fact that negotiations had been conducted with the Haier group since December 2013 at the latest and the Plaintiff strove for a world-wide license for its patent portfolio is sufficient. Therefore, the list of American, Chinese, Japanese, and other non-European patents in the patent

family was only relevant in the non-obvious case the European distribution companies of the Haier group on the Defendants side delivered products to those countries.

- 117 Even from the objective perspective of a party to the negotiations that is interested in concluding an agreement, the Plaintiff could expect that the Defendants would at least provide factual reasons for why they considered such a selective licensing suitable for doing justice to the interests of both parties. Nothing leads to any determination or recognition that the Defendants might have a legitimate interest in a license agreement which did not only merely cover the European distribution activity instead of a world-wide arrangement for the Haier group (which the Plaintiff had unsuccessfully tried to achieve as of December 2012) – which is probably abstruse in itself considering the given facts and circumstances – but did not even include Haier, who was the manufacturer of the products – which the Defendants merely distributed – and, thus, bore at least a shared responsibility for the delivery of the attacked products to the European Union.
- 118 The question of whether the Defendants, a distribution company in addition to Haier, were entitled to a claim for a license of their own at all does not need to be answered. In view of the lacking willingness to take a license on the part of Haier, at any rate, it was not fair for the Defendants to claim a license limited to their own acts which entailed the risk – not abstruse from the Plaintiff's perspective – of a circumvention of its own distribution companies by Haier and, as the case may be, the necessity of the costly enforcement of their intellectual property rights “patent by patent and state by state” (cf. UK Supreme Court [Lords Reed, Hodge, Lady Black, Lords Briggs, Sales], judgement dated August 26, 2020, [2020] UKSC 37 marginal no. 166) and which, therefore, did not only fall short of a world-wide portfolio license as envisioned by the Plaintiff, but did not even reliably protect the Plaintiff from further infringements of the patent-in-suit by Haier either.
- 119 The Defendants could not assume either that the suggestion of drafting the agreement constituted the contribution to effecting a license agreement on FRAND terms which was necessary in light of the, thus far, lacking willingness to take a license and which the Plaintiff would either have had to immediately accept as

offered or which could have served as a basis of concluding negotiations promising success in the short run.

- 120 This becomes clear from the fact alone that the Defendants only invoked that the Plaintiff allegedly did not actively grant group-wide licenses and that the conventionality of group-wide licenses was disputed in order to justify the sought selective license.
- 121 From the Defendants' perspective, there was all the more reason for providing reasons, since, in its letter dated August 24, 2015 (G 21) – so almost one and a half years earlier – the Plaintiff had already rejected a license offer made by both Defendants (again, a few weeks prior to the oral hearing before the Regional Court), stating that the patent-in-suit was used by the whole Haier group and justifying the rejection, inter alia, with the reason that the offer did not include the entire Haier group and that, after the Defendants' submission at the appellate instance (brief dated December 3, 2015, p. 7, marginal no 398), in this context, the Defendants' representatives had recommended co-signing the offer of the license agreement to the parent company.
- 122 In contrast, the fact that the Plaintiff did not offer any other portfolios or portfolios of associated companies to the Defendants, which the Defendants had not even requested either, failed to render plausible the renewed demand for a selective license by the Defendants.
- 123 Against the background that the Haier group had already concluded group license agreements with the Plaintiff (AR 77, 78; BU 9), which the Defendants themselves have invoked, disputing the conventionality of a group license could not be considered a constructive contribution to license negotiations by a fair party to the negotiations either.
- 124 ii. The fact that the Defendants did not express their willingness of counterbalancing their previous lack of willingness to take a license in their license offer either can also be seen from the suggested royalty arrangement. Only four of the patent families included in the text of the offer are recognized as “potentially” standard-essential at all, i.e. relevant for calculating the royalties; it has to be assumed, in favor of the Defendants, that they do not reserve the right regarding

these patent families of doubting the applicability of the royalty arrangement in the offer of an agreement.

- 125 Insofar, a clarification of whether all other patent families are also standard-essential, as the Plaintiff thinks and explained in more detail in its response to the Defendants' brief dated January 20, 2017, is not necessary. Rather, what is decisive is that the exact purpose of negotiations is clarifying – using the expert knowledge in terms of technology and patent law that is available to the parties or may be brought in, as necessary – which intellectual property rights and families are to be – or even only should reasonably be – included in the agreement from the perspective of both parties because they are essential for using the standard, or are one of several technical possibilities of implementing it, at any rate. This is all the more significant in the field of information and communications technology, the higher the number of affected patents is, since avoiding disproportionately high transaction costs in the context of both standard-essentiality and validity of the intellectual property rights typically makes estimations necessary which adequately do justice to the uncertainties which inevitably remain and, thus are made by reasonable negotiating parties wherever efforts and costs of a further clarification would clearly be disproportionate to the expected benefit otherwise (cf. UK Supreme Court, judgment dated August 26 2020, [2020] UKSC 37 marginal no. 5).
- 126 The question of whether a contractual offer with these contents would have been able to express the willingness to conclude a license agreement on FRAND terms if the Defendants or Haier had made it in an early phase of the talks can also remain unanswered. This is because Haier had not entered into any specific discussion with the Plaintiff regarding the proper scope of a licensing of the mobile radio devices manufactured by Haier and the compensation adequate for it. In light of this, a suggestion “at last minute” which – analogously to the suggested limitation of the license to the Defendants – resolved almost all questions not previously discussed to the Plaintiff's detriment and, at best, provided the Plaintiff with a future possibility of potentially asserting additional claims before court on this contractual basis failed to express the Defendants' willingness to significantly promote the conclusion of a license agreement on FRAND terms, which conclusion had become necessary at short notice at that time. Rather, the Plaintiff had to consider this suggestion to be the Defendants' attempt to use this license offer of their own, the

acceptance of which they could not seriously expect to hedge themselves against a confirmation of the first-instance order by the Appellate Court in case the latter would assume Haier or the Defendants had the obligation to make a counter offer to the Plaintiff because the Plaintiff had met its obligations.

127 III. The decision of the Appellate Court does not turn out to be correct for any other reasons either regarding the claims for injunctive relief, destruction, and recall. The “patent ambush” objection does not preclude the enforcement of these claims, as the Appellate Court correctly assumed.

128 1. As ground for its decision, the Appellate Court substantially stated in this regard:

In favor of the Defendants, it could be assumed that the former proprietor would have had to disclose the patent-in-suit during the standardizing process, but deliberately did not do so. The questions of whether the Plaintiff is to be held accountable for this conduct and whether the later FRAND declaration by the Plaintiff was able to remedy this violation do not have to be answered, either. The legal consequence of a “patent ambush” is merely a licensing obligation of the proprietor of the intellectual property right. A user only is entitled to a free license for a patent that was intentionally not disclosed if an alternative to the patented teaching of the asserted patent would have been introduced into the standard in case the required disclosure had taken place. This cannot be determined by a judge adjudicating the facts with a predominant likelihood.

129 2. The Defendants’ cross-appeal is not successful in countering this.

130 a) The question of whether and, as the case may be, under which additional preconditions, an infringer can criticize a situation as an abuse of a dominant market position or for any other reasons in which a company – which did not disclose a patent application relevant to the implementation of the standard during the standardization process, thereby violating the rules of the standardization organization – enforces a patent that arose from said application, or takes priority from said application, does not need to be answered.

- 131 b) The reason for this is that a defense claim, or a claim for a free license as the Defendants want to assert, was directed towards the company which is at fault for the "patent ambush" and, as the case may be, its universal legal successor and, thus, not towards the Plaintiff in the present litigation. Outside of the scope of succession protection pursuant to Sec. 15(3) German Patent Act, objections raised against the former patent proprietor cannot be used to oppose the new patent proprietor. Sec. 404 German Civil Code is not applicable in the context of the patent assignment. This is because the right to the and from the patent is an absolute right where no obligor exists (cf. Supreme Civil Court of the German Reich 127, 197, 205; Regional Court of Mannheim, judgment dated February 27, 2009 - 7 O 94/08, juris marginal no. 106). Sec. 413 German Civil Code does admittedly provide for the analogous application of Sec. 404 German Civil Code in case of the assignment of other rights; however, Sec. 15(3) German Patent Act prevails over Sec. 404 German Civil Code (Palandt/Grüneberg, BGB, 79th edition, Sec. 413 marginal no. 2). Since the Plaintiff's FRAND self-commitment ensures that the assertion of the patent-in-suit does not lead to a legal system with restrictions on competition no longer acceptable, further obligations of the Plaintiff do not arise from its special responsibility arising from the dominant market position either.
- 132 c) Additionally, a "patent ambush" definitely requires that the decision process within the standardization panel has been distorted by a withholding of relevant information (cf. European Commission, WuW 2010, 719 marginal no. 29). If a patent application relevant for the standard has not been disclosed, at least indications have to exist that the standard would have been worded differently, had the patent applicant not withheld said information. The Appellate Court negated such indications without any error in law.
- 133 The cross-appeal unsuccessfully criticizes that the Appellate Court allegedly erred in assuming that the Defendants bear the onus of presentation. There is no reason for imposing a secondary onus of presentation on the Plaintiff because the fact to be presented is outside the Defendants' area of perception. Assuming a secondary onus of presentation requires that a more detailed demonstration is not possible, or is an unreasonable burden, for the party having made the allegation, while the party disputing the allegation knows all essential facts and it is a reasonable burden for said party to make a more detailed statement (German Federal Court of Justice,

judgment dated December 4, 2012 - VI ZR 378/11, DStR 2013, 702 marginal no. 16 with further references). Regarding the processes relevant in this case, however, both parties are third parties.

134 IV. Moreover, the Defendants are required to pay damages to the Plaintiff pursuant to Sec. 139 (2) German Patent Act and have to provide the necessary information, comprising the rendering of accounts granted by the Regional Court, in order to enable the Plaintiff to estimate its claim for damages.

135 1. Without any error in law, the Appellate Court affirmed fault in the form of negligence, which is necessary for a claim for damages, even for the period before the Plaintiff's first notice of infringement was received. As the Senate elaborated further in its judgment dated May 5, 2020 rendered regarding both parties to the proceedings (KZR 36/17, WRP 2020, 1194 marginal no. 109 - FRAND-Einwand), the obligation of a patent proprietor of a standard-essential patent to give notification of infringement does not change the fact that, before starting the manufacture or distribution of a technical product, the infringer generally bears the responsibility to make sure that this will not infringe any intellectual property rights of third parties.

136 2. The Appellate Court assumed a limitation of the amount of the Plaintiff's claim for damages to an amount that would result from the license analogy standard; this could only be taken into consideration if the Defendants were able to counter the Plaintiff's claim for damages with a claim for damages of their own which was based on the non-performance of a claim for the completion of a license agreement on reasonable and non-discriminatory terms. Since such a claim can only come into existence if the infringer demands the conclusion of a license agreement on FRAND terms from the patent proprietor (first by declaring its willingness to take a license), and the patent proprietor reacts to this in a way that is not in line with the obligations it has due to its dominant market position (German Federal Court of Justice, WRP 2020, 1194 marginal no. 111 – FRAND-Einwand), a limitation of the claim for damages is entirely ruled out in the present litigation. The Defendants have not sufficiently declared their willingness to conclude an agreement on FRAND terms.



- 137 V. A referral to the European Court of Justice for the purpose of clarifying the questions posed by the Defendants in the brief dated October 26th, 2020 is not necessary. As explained, the Senate's requirements for the infringer's willingness to take a license are in line with Art. 102 TFEU and its construction in the case law of the European Court of Justice (marginal nos. 63 et seqq., 77 et seqq., 87). The questions which arose in this context concern the weighing of interests in each individual case which fall under the discretion of the courts in the member states (cf. UK Supreme Court, judgment dated August 26, 2020 [2020] UKSC 37 marginal no. 152).
- 138 VI. Hence, the judgment of the Appellate Court is to be reversed (Sec. 562 Code of Civil Procedure). Since further determinations are neither necessary nor to be expected, the Senate itself can decide on the case and reinstate the judgment of the Regional Court.

Meier-Beck

Kirchhoff

Tolkmitt

Rombach

Linder

Courts of lower instances:

Regional Court of Düsseldorf, decision dated November 3, 2015 - 4a O 144/14 -

Higher Regional Court of Düsseldorf, decision dated March 30, 2017  
- I 15 U 65/15 -