

# German Court is Soothsaying What the Future will Bring for FRAND and Compulsory License Defenses

Kluwer Patent Blog  
April 10, 2014

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*Please refer to this post as: Thomas Musmann, 'German Court is Soothsaying What the Future will Bring for FRAND and Compulsory License Defenses', Kluwer Patent Blog, April 10 2014, <http://patentblog.kluweriplaw.com/2014/04/10/german-court-is-soothsaying-what-the-future-will-bring-for-frand-and-compulsory-license-defenses/>*

by Dr. Simon Klopschinski

In one of its latest orders the Karlsruhe Higher Regional Court has used the opportunity to take a glimpse into the crystal ball, in order to see what decision the Court of Justice of the European Union (CJEU) is going to render in response to the pending referral for preliminary ruling regarding the FRAND and compulsory license defense in case of standard essential patents (SEPs).

In recent years the information and telecommunication (ITC) sector has seen a wave of patent lawsuits in various jurisdictions, including Germany. Since most of the patents asserted in these proceedings form part of a standard, a core question is whether enforcing SEPs complies with antitrust law.

Where a SEP is enforced the defendant may under German law plead that the plaintiff abuses its dominant position by refusing to grant a license under FRAND conditions (Fair, Reasonable and Non-Discriminatory). A patentee only acts abusively if the defendant has made an unconditional offer to conclude a license agreement that the patentee cannot refuse without discriminating the defendant, and if the defendant in advance fulfils its obligations under the license to be granted by rendering account for past infringements and/or by paying license fees into an escrow (Federal Court of Justice IIC 2010, 369 – Orange Book Standard; Haedicke/Timmann (eds.), Patent Law – A Handbook, 2014, § 9 para. 215 et seq.).

In contrast to German practice the European Commission has advanced the opinion that it is sufficient for the defendant to only show willingness to negotiate a license concerning a SEP and that no unconditional offer is required. In order to clarify this issue the Düsseldorf Regional Court in March 2013 made a request for preliminary ruling which is currently pending before the CJEU (court docket: C-170/13; see our previous post).

In the case decided by the 2nd instance Karlsruhe Higher Regional Court on February 19, 2014 (court docket: 6 U 162/13; German language version is available [here](#)) the 1st instance Mannheim Regional Court had previously ordered in its judgment on the merits injunctive relief on the basis of a SEP. The defendant appealed the judgment and requested the 2nd instance court to stay enforcement of the 1st instance judgment.

Under German law a 1st instance judgment under appeal is enforceable in exchange for a security by the plaintiff (provisional enforcement). Upon defendant's request the 2nd instance court can stay provisional enforcement of the 1st instance decision, however, on the basis of an overall weighting of the parties' interests. One deciding factor are the chances of success of the appeal.

The defendant had solely argued in its request that the Mannheim court should have stayed the proceedings on the merits until the CJEU had decided on the Düsseldorf court's referral C-170/13.

The Karlsruhe court rejected the defendant's request because – according to the court – the defendant had not made an unconditional offer and was therefore not in compliance with "Orange Book Standard". In the opinion of the Karlsruhe court – even if the CJEU will modify the patentee-friendly requirements established under German law – the CJEU will uphold these requirements to the extent that the defendant has to make the plaintiff an unconditional offer to conclude a license agreement and that the defendant has to render account for past infringements. Against this background the Karlsruhe court saw no sufficient reasons that in appeal proceedings the decision by the Mannheim court will be revoked and therefore denied stay of provisional enforcement of the 1st instance judgment.

The decision by the Karlsruhe court seemingly provides the holders of SEPs that have obtained 1st instance judgments in their favor with legal certainty. They can provisionally enforce their judgments, irrespective of the pending referral for preliminary ruling C-170/13.

Plaintiffs should take into account, however, that if later on – contrary to the predictions of the Karlsruhe court – the CJEU substantially modifies the FRAND and compulsory license defense to their detriment with the effect that the appeal court will have to revoke the 1st instance decision, they will be liable for damages caused by the provisional enforcement of the 1st instance judgment. That means that as long as the CJEU has not yet decided on the referral for preliminary ruling by the Düsseldorf court, all plaintiffs that have obtained in Germany 1st instance judgments for injunctive relief on the basis of SEPs, which are currently under appeal, effectively are in the limbo with regard to provisional enforcement of these judgments.