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FRAND Update: CJEU corrects the German version of the Huawei vs ZTE judgment

Hetti Hilge (Rospatt Osten Pross) · Friday, January 8th, 2016

In one of the most highly observed patent cases in Europe in 2015, Case C-170/13, Huawei vs ZTE, the Court of Justice of the European Union with [judgment of 16 July 2015](#) provided valuable and long-awaited guidance on the antitrust/FRAND defense in cases of standard essential patents (SEPs). The decision at the same time raised new questions and has since been the subject of several controversial discussions before the infringement courts in particular in Germany. The CJEU now answered one of these controversial questions itself by rendering a [rectification order](#) pursuant to Art. 103 para. 1 of the Rules of Procedure of the Court of Justice on 15 December 2015.

The correction concerns the initial obligations of the proprietor of an SEP according to item 1 of the operative part of the judgment and item 71, first bullet point, of the reasons of the judgment:

“71. [...] - prior to bringing that action, the proprietor has, first, alerted the alleged infringer of the infringement complained about by designating that patent and specifying the way in which it has been infringed, and, secondly, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, presented to that infringer a specific, written offer for a licence on such terms, specifying, in particular, the royalty and the way in which it is to be calculated,”

Based on the English and French language versions of the judgment it seems clear that the SEP holder, *before* bringing an action seeking an injunction or a recall of the infringing products, must comply with *both* requirements, namely

- inform the alleged infringer of the infringement, specifying the patent and the allegedly infringing activity, and
- present a specific, written license offer on FRAND terms, specifying in particular the royalty and the way in which it is to be calculated if the alleged infringer has expressed its willingness to conclude a FRAND license agreement.

The German language version of the judgment was ambiguous in relation to the time requirement (because of the position of the part “prior to bringing the action” in the

sentence), even though the language of the proceedings before the CJEU was German. It allowed the national judges to conclude that the SEP holder already complied with its obligations under Art. 102 TFEU if it only fulfilled the first obligation and informed the alleged infringer of the infringement prior to, or even parallel to the filing of the complaint, whereas it was considered sufficient if the SEP holder provided a written offer for a FRAND license later. The alleged infringer, on the other hand, had to comply with its obligations following from the CJEU judgment in time in order not to risk losing the antitrust defense. Of course this formal approach based on the ambiguous German wording of the judgment did not properly reflect the balancing of interests which the CJEU had in mind when outlining the obligations of the parties, which has now been clarified with the rectification order.

In practice, however, it is unlikely that a German court would dismiss a complaint only because the SEP holder failed to offer a FRAND license prior to filing the complaint if it does so later in the course of the proceedings. Such a dismissal would be contrary to principles of procedural economy. The SEP holder could theoretically file the same complaint again, this time based on the different factual situation after the FRAND license offer. Judge Dr. Kühnen, Presiding Judge at the Appeal Court Duesseldorf, recently proposed to apply the rules on late filings from the German Code of Civil Procedure (ZPO) to this situation, according to which a rejection of a submission as belated is only possible under specific circumstances, including a delay of the proceedings, and to otherwise consider the belated behaviour of the SEP holder in the decision on cost reimbursement. In particular in cases which were already pending before the CJEU rendered its decision the German courts are likely to apply a generous standard for SEP holders as, according to the previous case law and the Orange Book Standard principles, it was the obligation of the defendant who was already using the patent without a license to make the initial license offer.

The trial in the original dispute Huawei vs ZTE which had been stayed in the first instance for the reference to the CJEU (see previous post [here](#)) will continue at the Landgericht Duesseldorf in December 2016.

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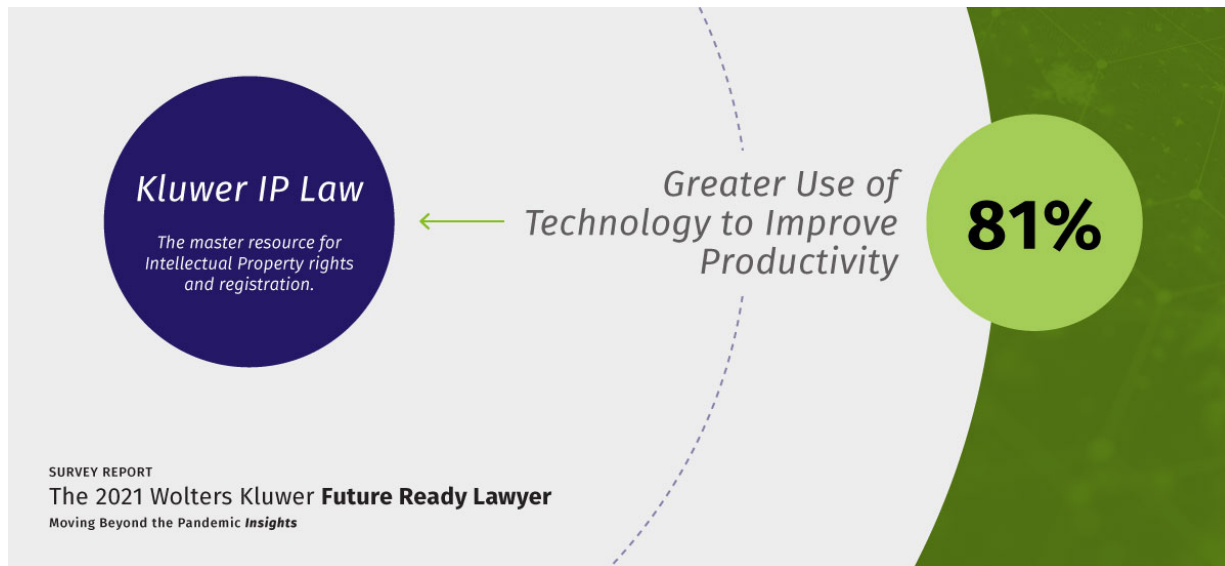
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