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CJEU to Review Anti-trust Compulsory License Defense

Thorsten Bausch (Hoffmann Eitle) · Thursday, March 28th, 2013

The Regional Court Dusseldorf submitted on 21 March 2013 a referral to the CJEU with five questions regarding the interpretation of Art. 102 TFEU relating to the antitrust objection of compulsory license in patent infringement actions.

The patent infringement action at issue is concerned with a LTE-standard-essential patent. The plaintiff declared its readiness via the LTE-standardization organization to grant licenses to third parties under fair, reasonable and non-discriminatory conditions (FRAND declaration). It is not in dispute between the parties that the defendant's products make use of the LTE standard and are therefore patent infringing.

The plaintiff had namely offered the defendant between 2010 and 2011 a license under its conditions. The defendant tried to negotiate a cross-license agreement. The parties never exchanged specific license agreement offers. The plaintiff filed the patent infringement action claiming inter alia injunction against the defendant. The defendant filed the antitrust objection of compulsory license pursuant to Sec. 242 German Civil Code in conjunction with Art. 102 TFEU.

The questions referred to the CJEU are in brief:

(1) Is a patentee abusing its dominant market position when it files a court action, despite the fact that the third party has shown its readiness to negotiate a "reasonable license", or is readiness alone not sufficient and the third party needs to present an acceptable and unconditional offer to enter into a license agreement which cannot be rejected by the patentee?

(2) If the CJEU assumes an abuse of a dominant market position due to the third party's readiness to negotiate: Is it sufficient pursuant to Art. 102 TFEU to generally and orally declare readiness to negotiate or does the third party have to present specific conditions to be included in the license agreement of whatever kind?

(3) Alternatively, if the third party needs to present an acceptable and unconditional offer to enter into a license agreement which cannot be rejected by the patentee: Must the third party present a comprehensive a license agreement with such provisions that are typically agreed upon? May the license agreement include the conditions that the patent at issue will be used and is valid?

(4) Is the licensee obliged to render an accounting as to the use of the patent in the past and to pay license fees for the past? Can the licensee fulfill such obligations by posting security?

(5) May the patentee insist on a rendering of accounts, withdrawal from the market or damages without abusing its dominant market position?

Similar questions have been the subject of a number of court decisions in Germany in recent years, e.g. “Orange Book Standard” by the FCJ (page 7 et seq. of the attached Regional Court Dusseldorf’s decision provides a list of the present case law).

According to the Regional Court Duesseldorf, if the Federal Court of Justice’s “Orange Book Standard” decision would be applied here, patentee’s claim to injunction must be granted, since the defendant has as yet not made an “unconditional” offer for a license agreement which had to be accepted by the plaintiff. The Regional Court Dusseldorf provided a detailed explanation why “Orange Book Standard” should also be followed here (p. 11 et seq.).

However, differing from the standpoint of the FCJ, the European Commission has taken the view as published in the a Presse Release of 21 December 2012 (Samsung v. Apple) that defendant’s mere readiness to negotiate is sufficient to consider the plaintiff’s action for injunction as an abuse of a dominant market position. This statement is obviously one of the main reasons for the referral by the Regional Court Dusseldorf’s as a first instance court.

Further, the Regional Court Dusseldorf pointed out that CJEU IMS Health decision was concerned with a patentee that had generally refused to grant a license. The present case is different and above questions have therefore not yet been answered by the CJEU.

The decision of the CJEU will be highly relevant for patent litigation concerning standard-essential patents in Europe.

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