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German FRAND Update

Hetti Hilge (Rospatt Osten Pross) · Tuesday, June 28th, 2016

Following the CJEU judgment *Huawei vs ZTE* (Case C-170/13) of 16 July 2015, the national courts continue refining the requirements for the assertion of standard-essential patents (SEPs).

So far, the first instance courts in Germany (in particular in Duesseldorf, Mannheim and Munich) showed a tendency to apply the principles of the CJEU decision in a patentee-friendly manner. In most cases the Art. 102 TFEU/FRAND defense did not succeed because the defendant, in the view of the courts, had not complied with its obligations as a willing licensee. As a consequence, the courts often found that the defendant could not rely on the FRAND/antitrust defense based on e.g. the principle of good faith, irrespective of whether the SEP owner had met its obligations and provided a FRAND license offer first.

A more balanced approach now comes from the Appeal Courts after more cases reach the appeal level.

In the *Sisvel vs Haier decision* of 16 January 2016, one of the two Patent Senates of the Oberlandesgericht (Appeal Court) Duesseldorf stayed the preliminary enforcement of a first instance judgment of the Landgericht (District Court) Duesseldorf in part because the first instance court incorrectly had not determined whether the SEP owner has made a written license offer that complies with FRAND terms (cf. CJEU, Case C-170/13, item 63). According to the Oberlandesgericht Duesseldorf, the obligation of the alleged infringer to respond diligently by providing a FRAND counter-offer (CJEU, Case C-170/13, items 64 and 65) is only triggered once and if the patent owner complies with its FRAND obligations.

The Oberlandesgericht (Appeal Court) Karlsruhe shared this view and concluded that the courts have a duty to assess whether the license offer of the SEP owner complies with FRAND terms. With *decision of 31 May 2016* it in part stayed the preliminary enforcement of a first instance judgment of the Landgericht Mannheim that had only found that the royalty rate requested by the SEP owner was not evidently contrary to FRAND and abusive.

The second Patent Senate of the Oberlandesgericht Duesseldorf now further clarified the initial obligations of the SEP owner in a procedural court order. Namely, the SEP owner has to explain why the proposed royalty rate is non-discriminatory and non-abusive under the conditions prevailing on the relevant market, e.g. by submitting the comparable licenses it concluded. The Appeal Court takes this requirement from the obligation of the SEP owner to specify the amount of the FRAND royalty offered, and “*the way in which that royalty is to be calculated*” (CJEU, Case C-170/13, para. 63) which, according to the court, requires more than just providing information on

the reference base and the applicable royalty rate. This again shifts the initial burden on the SEP owner.

The Oberlandesgericht Duesseldorf further indicated that the CJEU principles do not only apply to injunctions and recall and destruction claims but also to damages which may be restricted to a reasonable royalty (and not e.g. infringer's profits) until the SEP owner has complied with its FRAND obligations.

Hetti Hilge, LL.M.

rospatt osten pross – Intellectual Property Rechtsanwälte

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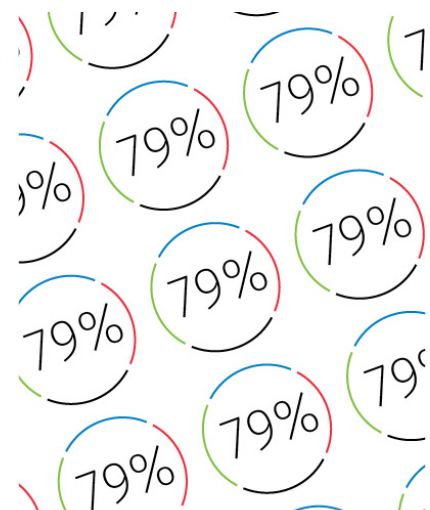
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