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Another German FRAND Ruling – OLG Karlsruhe, Judgment of 30 October 2019, 6 U 183/16 (Philips v Wiko)

Hetti Hilge (Rospatt Osten Pross) · Wednesday, December 4th, 2019

In its latest ruling on FRAND and the Art. 102 TFEU defense, the OLG (Higher Regional Court) Karlsruhe put an emphasis on the ‘fairness’ of the licensing negotiation procedure and thus on the ‘F’ prong of FRAND. To allow fair and expedient licensing negotiations and avoid a finding of abuse of dominance, the owner of a standard essential patent (SEP) has to explain and substantiate vis-à-vis the willing licensee why its license offer is FRAND in such a way that the implementer can assess the offer and respond with a counter-offer in a meaningful way. Even though both the SEP holder and the implementer may still comply with their ‘negotiation duties’ after filing the complaint, undue pressure by the threat of an injunction has to be avoided, e.g. by suspending the proceedings.

The case concerned a patent essential for the LTE standard. The OLG Karlsruhe, appeal instance to the Mannheim Regional Court, confirmed patent infringement by defendant’s LTE compatible mobile phones, resulting in a declaration on damages and full claims for information and accounting. However, the defendant’s FRAND/Art. 102 TFEU defense was successful and the court rejected the requests for an injunction, recall and destruction as currently unfounded.

With this decision, the Karlsruhe court tackles questions on the implementation of the negotiation framework as set out in the landmark decision *Huawei v ZTE* of the CJEU (case C-170/13) from yet a different angle than the appeal courts in *Duesseldorf* (with an emphasis on the ‘non-discriminatory’ assessment of the content of the SEP holder’s license offer and stricter requirements on the provision of third party licenses) and the UK (with a focus on the ‘fair and reasonable’ prong of FRAND and a more flexible application of the CJEU negotiation framework; see previous posts [here](#) and [here](#)). The Karlsruhe court also came to a different conclusion than the Court of Appeal The Hague in the parallel [proceedings](#) between the same parties earlier this year. According to public comments, the Dutch court held that the plaintiff was entitled to an injunction as the defendant was not a ‘willing licensee’ prior to the proceedings and had not met its burden to show that the plaintiff’s later license offer was non-compliant with FRAND. In contrast, the OLG Karlsruhe found that the plaintiff had not met its burden to substantiate the FRANDness of its license offer to the defendant. This failure to meet its information and negotiation duties amounts to an abuse of the plaintiff’s dominant position acc. to Art. 102 TFEU.

The OLG Karlsruhe judgment includes the following principles on the FRAND licensing negotiations and subsequent court proceedings.

1. Infringement notification of the SEP holder

Formally, it is sufficient if the infringement notification by the SEP holder which starts the licensing negotiations is directed to the company that is responsible for negotiating and taking licenses within the group of companies of the infringer, in this case the parent company of the defendant.

In terms of content, the infringement notification has to enable the implementer to form an impression of the quality of the infringement allegation (if necessary with the assistance of experts or by obtaining legal advice) and to gain clarity about the interest in a licence. Claim charts are not necessarily required. Listing the patent and the relevant parts of the standard that implement the patented teaching can be sufficient.

2. Declaration of the willingness to take a FRAND license by the implementer

The alleged infringer then has to declare its willingness to take a FRAND license without delay. According to the OLG Karlsruhe, the almost three months taken by the defendant were deemed too long (but could be cured in the proceedings). The implementer should regularly need no more than two months for examination and the decision to declare its willingness.

3. FRAND license offer of the SEP holder and information duty

As a next step, the SEP holder has to make a license offer on FRAND terms and specify the way in which the royalty is calculated. The OLG Karlsruhe, in line with the OLG Duesseldorf, interprets this requirement according to the CJEU Huawei v ZTE judgment to include an ‘information duty’ of the SEP holder who has to explain the objective circumstances from which the implementer can assess whether the offered license is FRAND conform. The Karlsruhe court emphasized the procedural fairness criterion of the FRAND commitment which shall enable expedient and productive licensing negotiations between the parties who are in the best position to agree on a license. Here, the plaintiff failed to explain how the quota royalty offered to the defendant relates to a lump sum agreement previously concluded with a third party. Absent further information and substantiation from the plaintiff a discrimination of the defendant could not be excluded.

Different from the approach taken by the OLG Duesseldorf, the Karlsruhe court does not generally require full disclosure of the content of all third party licenses concluded. But the SEP holder has to substantiate their content and explain their terms in such a way that the willing licensee can assess if and in how far and for what factual reasons it is offered different terms. This may include offering to enter into an NDA if confidentiality interests are concerned. The willing licensee, however, has no material claim for the provision of the third party licenses, and the corresponding counter-claim by the defendant was rejected.

4. Timing/Possibility to cure failures to comply with negotiation duties in the course of the proceedings

Both the SEP holder and the infringer can still comply with their negotiation duties after the filing of the complaint as far as possible within the procedural rules. The SEP holder, on the one hand, has to make sure that fair negotiations can continue without the undue pressure caused by the threat of an injunction, e.g. by requesting a suspension of the proceedings. The implementer, on the other hand, should not try to delay the negotiations because he bears the risk that his obligations are fulfilled too late to be still considered within the proceedings.

5. No limitation of the accounting claims

The Karlsruhe court held that a finding of an abuse of a dominant position acc. Art. 102 TFEU does not limit the right of the SEP holder to request complete information and accounting on infringing acts, including information on the infringer’s costs and profits. This is in direct opposition to the judgment of the OLG Duesseldorf according to which an SEP holder who has not (yet) complied with its FRAND obligations cannot request more than a FRAND royalty as damages (and not, e.g., infringer’s profits) so that information on cost and profits is not required.

The OLG Karlsruhe admitted a further legal appeal (“Revision”) against the judgment to the Bundesgerichtshof (German Federal Court of Justice). The court acknowledged that it deviated in part from the jurisprudence of the OLG Duesseldorf and that there is a need to unify the case law. In addition, the legal questions at issue, concerning the implementation of the Huawei v ZTE framework, are of general importance. Currently two proceedings involving SEPs and FRAND issues are already pending before the Bundesgerichtshof, both of them appeals against judgments of the OLG Duesseldorf (Unwired Planet v Huawei, and Sisvel v Haier), so that the German Bundesgerichtshof may have a chance clarify some of the open questions on FRAND soon.

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