

IP litigation and SEP licensing post Huawei

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Course of negotiations according to the ECJ

(Claimant/SEP-owner ./ Defendant/alleged infringer)

1. Alert of infringement *prior to* bringing an action
2. Expression of willingness to conclude licence agreement on FRAND terms
3. Specific written licence offer on FRAND terms
4. Reaction in due time and counter-offer on FRAND terms in case of refusal
5. Rejection
6. Security and rendering of accounts

The alert – what is necessary?

ECJ: „designating that SEP and specifying the way in which it has been infringed“ (para 61)

Option 1:

alert has to be as substantiated as a claim, i.e. (under German law) as substantiated in facts so as to justify the remedies sought under the applicable substantive law

Option 2:

indicating patent number + attacked embodiments (e.g. Mobile phone model „X“ makes use of EP `000 as it is capable to apply LTE/UMTS)

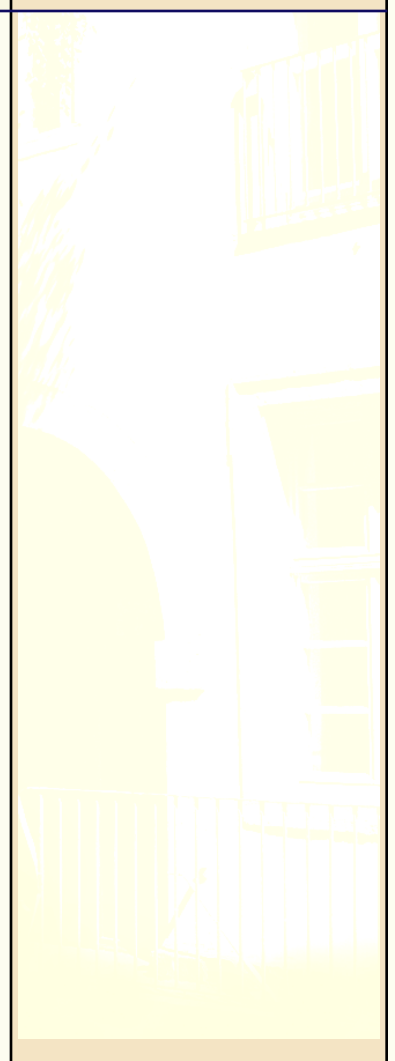
The alert – what is necessary?

Option 3:

claim charts setting out features of the claim vs. exact citations from standard documents

Option 4:

less detailed claim charts or mere information where features of the claim and the core technical functionality are set out + TS document and perhaps chapter dealing with that functionality



The alert – necessarily prior to bringing the action?

Open questions:

- Also in cases where alleged infringer already approached SEP-owner ?
- In case of a „hard-core infringer“?
- In cases where parties had already been engaged in cross-licence negotiations for some time?

The alert – and its scope

Just patent in claim?

All patents of the portfolio?

„Proud list“?

Problem:

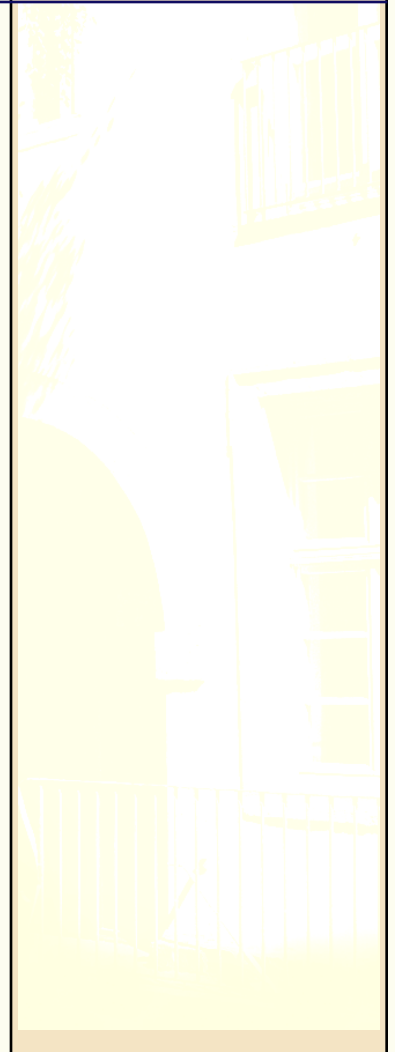
tying-in of portfolio patents in abuse of dominant market position vs. recognised commercial practices in the field

Alert of infringement – always „prior to“?

Scenario 1: „transitional period“

Patent infringement claim was brought before Huawei./ZTE, then stayed in the light of the awaited preliminary ruling and continued after the decision has been rendered

→ no alert *prior to* proceeding



Alert of infringement – always „prior to“?

Scenario 2: „post Huawei period“

→ Patent infringement claim was brought after Huawei./ZTE

Regional Court Mannheim: no!

(rationale: even if claim may be withdrawn and be brought again later the parties may – in the meantime – negotiate without the sharp sword of a claim pending)

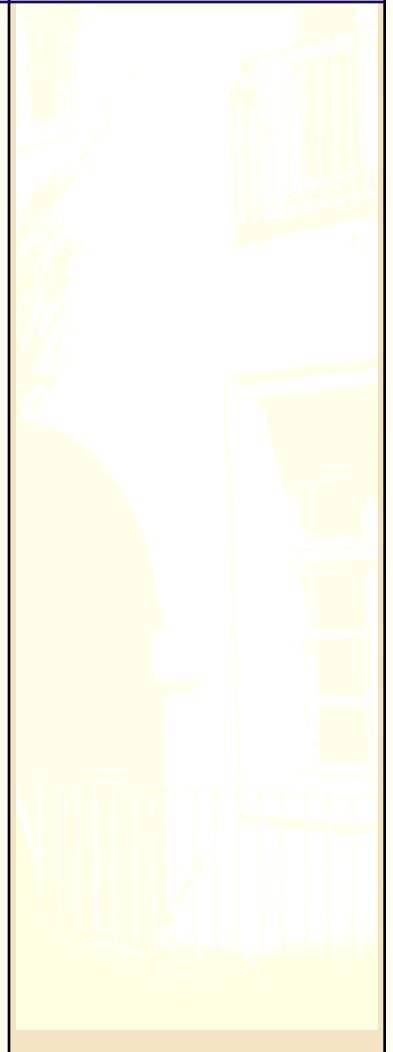
Duesseldorf courts: yes!

(rationale: failure to do so does not result in a preclusion of rights)

Willingness to take a FRAND licence - how much does it take?

- expression of a general willingness to take licence is sufficient
- only where it is obvious that licensee only pays lip service, it is not enough

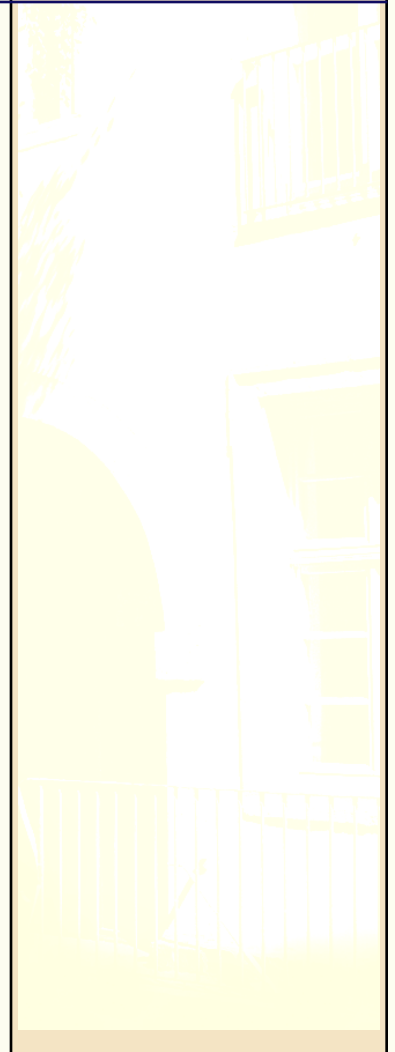
→ but: we had these cases



The offer of the SEP-owner

ECJ:

„it is for the proprietor of the SEP to present to that alleged infringer a specific, written offer for a licence on FRAND terms [...] specifying in particular, the amount of the royalty and the way in which that royalty is to be calculated“



Specifying calculation of royalty fee

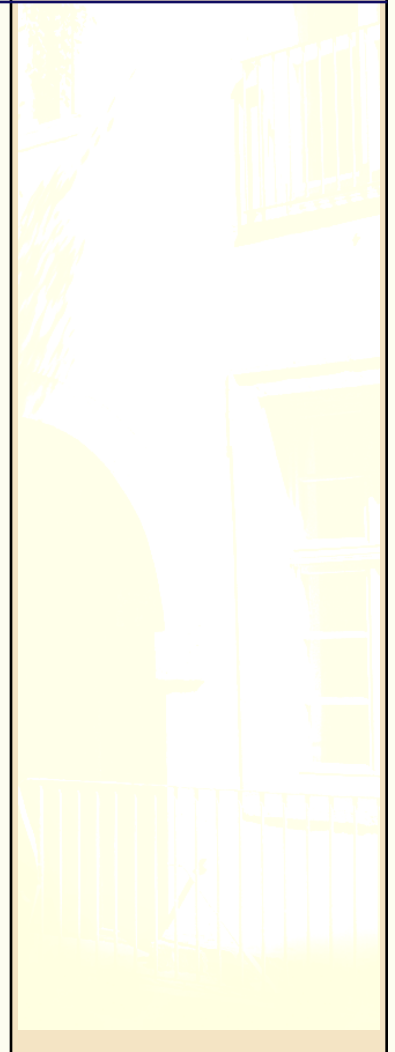
„1 \$ per item is the price!“

- only to mention the factors for the calculation of the fee is not enough

Reason:

SEP-owner has to make it transparent why the licence fee contained in the offer is deemed to be FRAND and does not discriminate against alleged infringer

The offer of the SEP-owner
has to be FRAND
– but what does that mean?



Regional Court Mannheim: Obviousness test

Only where it is obviously not FRAND the offer is insufficient and does not trigger further obligations of alleged infringer.

Higher Regional Courts Karlsruhe/Duesseldorf: Objective test

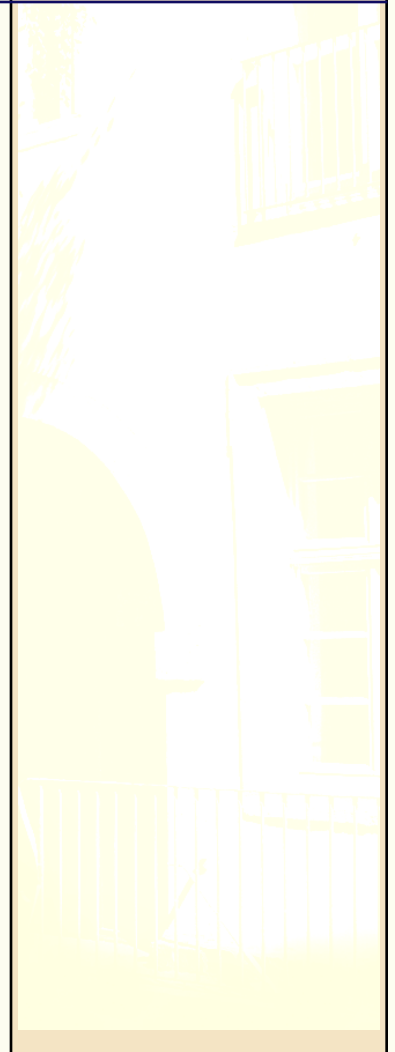
(preliminary rulings only!)

The offer has to be FRAND, which has to be evaluated by the court in the proceedings.

But: broad discretion to determine what FRAND is

Rationale of Mannheim Court (1):

- Only where it is obviously not FRAND the offer is insufficient and does not trigger further obligations of alleged infringer.
- SEP-owner has a broad discretion to „hit“ FRAND, as not only just one offer is FRAND but many.



Rationale of Mannheim Court (2):

- Obviously not FRAND does not mean that the offer would not be evaluated. The test is whether a reasonable patent user would have accepted that offer as a starting point for negotiations and made a counter offer, if he deems FRAND to be less.
- We do not believe that the ECJ wanted to overload infringement proceedings with determination of what exactly FRAND is.

Consequence of objective FRAND test

Either

offer is FRAND and it has to be accepted or the injunction may be enforced

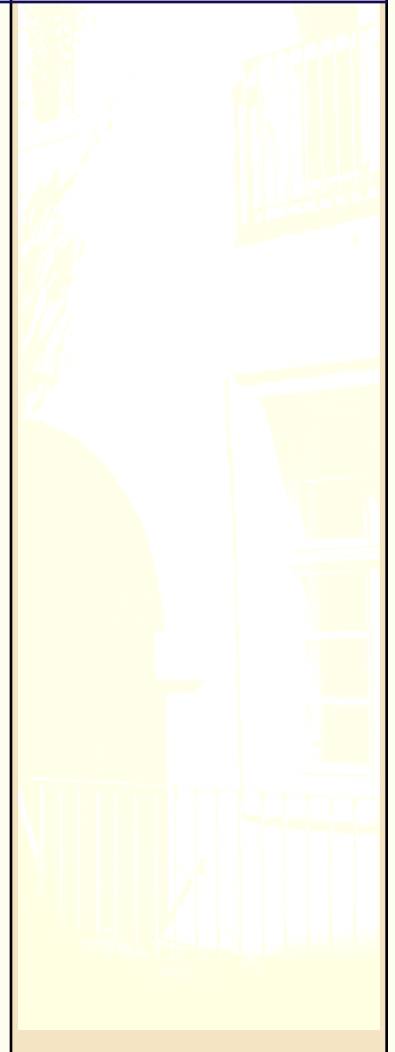
or

it is not and there is no injunction.

→ So it would never come to the interplay of offer and counter-offer envisaged by ECJ.

But:

As Higher Regional courts allow for broad discretion to determine FRAND, it seems that objective and obviousness test are not as far apart as it may seem.



Bearing of the ECJ's decision on past use?

Option 1:

SEP-owner may never claim damages exceeding a FRAND-licence, therefore all those factors, which are not necessary to calculate damages on that basis are not owed (i.e. profits/lost profits).

Option 2:

ECJ very clearly set out that those claims are not affected and limited as dominant market position will not have the same influences on claiming damages for past use.