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A FRAND defense under the rules of the UPC



















Injunctions under UPC rules

- FRAND defense directed against injunctions – does the (draft) Agreement* on a Unified Patent Court (AUPC) provide injunctive relief in case of patent infringement?
- Art. 56 para. 1 (AUPC):

*The Court **may** impose such **measures, procedures and remedies** as are laid down in this Agreement and may make its orders subject to conditions, in accordance with the Rules of Procedure.*
- Are injunctions a measure laying within the discretion of the UPC?

Injunctions under UPC rules

- Art. 25 AUPC – right to prevent direct use of invention
A patent shall confer on its proprietor the right to prevent any third party not having the proprietor's consent from the following:
 - (a) making, offering, placing on the market or using a product which is the subject matter of the patent, or importing or storing the product for those purposes;
- Art. 63 AUPC – Permanent injunctions
(1) Where a decision is taken finding an infringement of a patent, the Court may grant an injunction against the infringer aimed at prohibiting the continuation of the infringement. The Court may also grant such injunction against an intermediary whose services are being used by a third party to infringe a patent.

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Injunctions under UPC rules

- Injunction as the „standard measure“ in main proceedings – cf. Art. 62 para. 2 AUPC for preliminary measures:
“The Court shall have the discretion to weigh up the interests of the parties and in particular to take into account the potential harm for either of the parties resulting from the granting or the refusal of the injunction.”
- Interest of the parties are nevertheless taken into consideration, cf. Art. 56 para. 2 AUPC:
“The Court shall take due account of the interest of the parties and shall, before making an order, give any party the opportunity to be heard, unless this is incompatible with the effective enforcement of such order.”

Injunctions under UPC rules

- Art. 56, 63 AUPC fulfills obligation of the participating member states to meet requirements of the Enforcement Directive (2004/48/EC)
 - Art. 11 (2004/48/EC):

“Member States shall ensure that, where a judicial decision is taken finding an infringement of intellectual property right, the judicial authorities **may issue against the infringer an injunction** aimed at prohibiting the continuation of the infringement. [...]”
 - Art. 3 para. 2 (2004/48/EC) requests that

“remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive [...] shall also be **effective, proportionate and dissuasive** [...]”



Injunctions under UPC rules

- Injunctions in main proceedings:
 - are the common measure in order to **effectively** enforce patentee’s rights from Art. 25 AUPC
 - weighing of parties interests in special cases necessary for **proportionate** and **dissuasive** measures (e.g. standard-essential patents), Art. 56 para. 2 AUPC
 - Burden of proof with plaintiff as in Ebay v. Merck Exchange test?
 - Burden of proof with defendant as for German Orange Book offer?



FRAND defense in UPC

- What does it take to raise a “FRAND”-defense as a defendant?
 - Orange Book Offer (as in Motorola v. Apple)?
 - Willingness of the infringer to negotiate a license on FRAND terms (as set out in the Commission’s press release dating 21st December 2012 in the Samsung/Apple investigation)?
- Regional Court Düsseldorf (ZTE v. Huawei) presented questions to European Court of Justice to clarify the requirements raised by Art. 102 TFEU



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FRAND defense

- ZTE v. Huawei -

- Düsseldorf Court is doubtful that mere willingness to negotiate license is sufficient as defendant may not sincerely try to negotiate
 - Court suggests requirements relating to quality and promptly timing of the settlement negotiations
- Defendant is required to provide an contractual offer which may be immediately accepted by patentee
 - Offer does not need to be unconditional with regard to the infringement / validity of the patent
 - Offer may not include royalty rate but allow patentee to set royalty rate that may be checked by court
 - Defendant needs to act as licensee, e.g. pay license fees (e.g. escrow) and render accounts



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