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Litigating standard essential patents: any news from CJEU in Huawei v. ZTE?

Young EPLAW
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Overview

- I. Potential „new requirements” for FRAND defense
 - 1) Market dominance
 - 2) Violation of FRAND obligation by SEP owner

- II. Latest German case law
 - 1) France Brevet ./ HTC
(LG Düsseldorf, 4b O 140/13, March 26th, 2015)
 - 2) St. Lawrence ./ Deutsche Telekom
(LG Mannheim, 2 O 103/14, March 10th, 2015)



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I. Requirements for FRAND defense

- (1) The standard essential patent (“SEP”) in question actually provides market dominance to the owner.
- (2) The SEP owner acts in a way that violates obligations under a FRAND declaration.

(1) Establishing market dominance

- SEP ≠ dominant position in all instances
- Determination of dominant position on a case-by-case basis
 - para. 57, 58, opinion of Attorney-General Wathelet, C-170/13
 - Regional Court Düsseldorf, March 26th 2015, France Brevets ./ HTC – 4b O 140
- Defendant bears full burden of prove, no refutable presumption of dominant position
 - Kühnen/Maimann, LES lecture, January 22nd 2015 („first and second class SEPs“)
 - Regional Court Düsseldorf, March 26th 2015, France Brevets ./ HTC – 4b O 140/13
 - possibly different view: opinion of Attorney-General Wathelet, C - 170/13 (para. 57, 58)

(1) Establishing market dominance (ctd.)

- **Decisive criteria**

(Kühnen/Maimann, LES lecture, January 22nd 2015):

- Inevitable **requirement** to enter the relevant downstream product market (i.e. all products on the relevant downstream market use the technical feature covered by SEP)
- Prerequisite for **competitive product** and not only a niche product (e.g. if more than 70 % of all products on the relevant product market have this feature, however, this number is rather a rough guideline, cf. RC Düsseldorf “[...] cannot be based merely on rigid percentage thresholds [...] the smartphone market is particularly characterised by rapid technical progress [...] the average operating life of a mobile phone is constantly decreasing and is currently between 18 and 24 months”

(2) FRAND obligations

- FCJ - “Orange-Book” criteria: **Defendant** has to
 - (1) make a binding, FRAND-offer
 - (2) behave like licensee
- New legal standard based on AG’s opinion (Kühnen/Maimann, LES lecture, January 22nd 2015), **Patentee** has to
 - (1) make a FRAND offer, i.e. provide a complete license agreement including all relevant clauses, this includes the patentee’s burden to explain and justify the proposed FRAND rate;
 - (2) produce existing license agreements to the court;
 - Basis: FRAND declaration
 - Another practical reason: Patentee best placed to make a FRAND offer, because he is aware of all licenses already granted under the SEP in question.

(2) FRAND obligations (ctd.)

- In contrast, **defendant** can rely on FRAND defense as long as the patentee has not provided a complete FRAND license agreement offer. In addition, the **defendant** may need to establish willingness to take a license during the course of licensing negotiations.
- **Patentee** may determine FRAND terms, i.e. as soon as an offer is FRAND, the defendant is not entitled to request negotiation on other licensing terms, even if those other terms would still be within the range of what is considered FRAND.

II. Latest German case law

- 1) France Brevet ./ HTC
(LG Düsseldorf, 4b O 140/13, March 26th, 2015)
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(1) Regional Court Düsseldorf – France Brevets ./. HTC – 4b O 140/13

Denied access to FRAND defense in view of missing market dominance:

- [...] it must be assessed on an individual basis whether the technical teaching which is accorded protection actually enjoys said relevant dominance on the market under anti-trust law.”
 - “The Court is also of the opinion that [...] an assumption [of dominance on the market] in the case of every standard-essential patent would constitute an error.”
 - “[...], the party asserting the notion of a dominant position must first present the circumstances justifying such an assertion.”
- “[...], there are also functions which are included in a standard but which are of lesser significance to the market.”
 - “Near field communication (NFC) is not a technology which relates to the basic functions of a smartphone. “



(1) Regional Court Düsseldorf – France Brevets ./. HTC – 4b O 140/13 (ctd.)

- “A dominant position can also be assumed even if products are offered on the market in question [...] which do not have the product configuration of the standard-essential patent.”
 - “In this case, the prerequisite for an assumption of a dominant position on the market is that without access to the use of the patent in suit, a competitive offer is not possible.”
 - “An indication in this regard can be how far the technology in question has already penetrated the market. This indication, however, cannot be based merely on rigid percentage thresholds. [...] the average operating life of a mobile phone is constantly decreasing and is currently between 18 and 24 months.”



(2) Regional Court Mannheim – Saint Lawrence ./. TD GmbH – 2 O 103/14

- Saint Lawrence sued TDG for selling mobile phones;
- No FRAND-defense by TDG but reference to supplier's willingness to enter into FRAND license agreement;
- Dismissed by Regional Court Mannheim:
 - Willing licensee may not be enjoined;
 - Willingness of supplier to enter into a license agreement does not create exhaustion, i.e. injunction against customers possible.
- The decision is under appeal at the Higher Regional Court of Karlsruhe.



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Thank you!



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