

Higher Regional Court Munich (Cartel Senate)

6 U 3824/22 Kart

Order dated 30 October 2024

**Order:**

- I. The Senate considers it appropriate to inform the Parties and the Commission participating in the hearing as *amicus curiae* in advance of the Senate's current, preliminary legal opinion regarding the examination of the Defendant's FRAND objection.<sup>1</sup> It should be emphasised at this point that the sole purpose of sending this notice is to explain the Senate's standpoint to the Parties before the hearing. However, this notice does not intend to deny the Parties the grant of any pleadings extensions, where necessary. In this respect, the same standard will have to be applied that is followed if a notice is only issued during the oral hearing. The Senate is aware that this notice was sent very shortly before the hearing; however, given the complexity of the case and the intensive deliberations, it was not possible to send it earlier.
- II. The Senate believes that the fact that the Federal Court of Justice regards the defendant's FRAND objection as an anchor to prevent the patentee of a standard essential patent ("SEP"), who brought the action, from abusing its dominant market position by asserting a claim for injunctive relief (cf. Federal Court of Justice, GRUR 2021, 585, mn. 53 et seq. – FRAND-Einwand II) does not result in an (assumed) abusive action being dismissed due to abuse of rights and thus as inadmissible. Rather, the question of whether the plaintiff abused its market power – which is only to be examined on the defendant's objection – arises in the context of the merits since the FRAND objection also contains a claim of the defendant against the plaintiff for the grant of a patent license (which is to be regarded as FRAND-compliant) (cf. Federal Court of Justice, GRUR 2021, 585, mn. 83 – FRAND-Einwand II) so that it is, in fact, a *dolo- agit* - objection (Section 242 German Civil Code) (see Kühnen, Hdb. Patentverletzung, 16th ed., Chapter E mn. 265).
- III. The Senate is further of the opinion that – since the plaintiff is not prevented from submitting a new offer to the defendant that complies with FRAND conditions – a successful FRAND objection can "only" lead to dismissing the action as currently unfounded. Consequently, it should always be examined first whether the attacked embodiment(s) infringe(s) the respective patent in suit.
- IV. In this dispute, the Senate, after preliminary deliberation, tends to agree with the Regional Court that the patent in suit has been infringed. It is also likely that the active legitimation will be affirmed, and a stay of proceedings will not be expedient. The details of these aspects will be discussed during the oral hearing. Therefore, in the case at issue, it is decisive whether the defendant's FRAND objection – as the Regional Court believes – is already unsubstantiated due to its conduct during the negotiations and – if so – which concrete steps are to be taken to further examine the FRAND objection.
- V. In assessing these questions, the Senate is guided by the principles of CJEU and the Federal Court of Justice case law and seeks to specify them further if necessary. The starting point for the examination is the steps outlined in CJEU case law, which are meant to ensure that license agreements are not enforced but negotiated.

---

<sup>1</sup> Note: The first sentence has been linguistically corrected for publication.

## Grounds

First step: Infringement notice by the plaintiff

- 1 According to both the CJEU (GRUR 2015, 746, mn. 61, 62 - Huawei Technologies/ZTE) and the Federal Court of Justice (GRUR 2021, 585, mn. 55 – FRAND-Einwand II), an infringement notice is required first.
- 2 However, the consequences of failing to notify an infringement is unclear. The approach that the failure to notify an infringement before filing an action should lead to the action being dismissed as (currently) unfounded could be precluded by the fact that, according to the abovementioned reasons, the FRAND objection is, in principle, regarded as a dolo-agit objection. However, it could be debated whether initiating court injunction proceedings without prior notice of infringement would be considered inadmissible in individual cases due to a general abuse of rights under Section 242 German Civil Code. However, this should be irrelevant in this dispute.
- 3 Irrespective of this, it can be left open whether the Plaintiff's "invitations" to the Defendant (and its parent company respectively) of 21 August 2019 and 16 September 2019 regarding the licensing possibilities of its patent portfolio essential for the EVS standard (contrary to Mannheim Regional Court; left open by Karlsruhe Higher Regional Court) can be regarded as an infringement notice, as assumed by the Regional Court.
- 4 In any case, lodging an action for damages and an application for order to communicate information/to lay open books in the present proceedings (receipt: 11. October 2019; service: 27. November 2019) should be regarded as sufficient infringement notice.

Second step: Declaration of willingness to take a license by the defendant

- 5 The Parties argue whether the Defendant's response of 26 November 2019 (to the unsolicited license offer sent by the Plaintiff on 25 October 2019) can be considered a declaration of willingness to take a license by the Defendant.
- 6 The Regional Court denied this question on the grounds that the Defendant's response constituted an insufficient conditional declaration of willingness to take a license within the meaning of the Federal Court's of Justice decision FRAND-Einwand II (mn. 94, 95) as it had limited its willingness to take a license to patents that were "valid, actually essential and enforceable" (contrary to Mannheim Regional Court).

7 In the current opinion of the Senate, however, this “second step” is not to be interpreted to the extent that the defendant's FRAND objection is automatically and without exception not valid due to an initial lack of such a declaration.

8 The CJEU refers to this step only briefly in mn. 63 of the Huawei decision:

“Secondly, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, it is for the proprietor of the SEP to present to that alleged infringer a specific, written offer for a licence on FRAND terms, in accordance with the undertaking given to the standardisation body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated.”

9 The Senate concludes from this that the obligation of the patentee to submit an offer does (preliminary) not apply if the user does not respond to the infringement notice within a reasonable period of time or if the user declares or expresses through its conduct that it is not interested in a (FRAND) license at all.

10 However, if the patentee submits an offer to the user despite its lack of or insufficient declaration of willingness to take a license and the Parties subsequently engage in negotiations (as is the case here), the patentee cannot, in the opinion of the Senate, later claim that the FRAND objection does not apply because the user did not express its willingness to take a license prior to such an offer (contrary to Kühnen Hdb. Patentverletzung 16th ed., Chapter E mn. 476).

11 This approach is not in conflict with the case law of the Federal Court of Justice, which sets strict requirements for the declaration of willingness to take a license, FRAND-Einwand II mn. 57:

“It is generally not sufficient for the infringer to merely respond to the infringement notice by indicating that it’s willing to consider concluding a license agreement or to enter into negotiations on whether and under what conditions it might consider concluding an agreement. Rather, the infringer must clearly and unequivocally declare its willingness to conclude a license agreement with the patentee on reasonable and non-discriminatory terms and must also subsequently participate in the license negotiations in a targeted manner (Federal Court of Justice, GRUR 2020, 961 mn. 83 = WRP 2020, 1194 – FRAND-Einwand).”

12 However, this cannot apply to the (by the Federal Court of Justice not yet decided) case where the patentee submits to the user an unsolicited offer before having sufficiently notified it of the infringement or before the user has had sufficient time to react to the notification. Such a constellation would exist here if only the action for damages/order to communicate

information, but not the “invitations” of 21 August 2019 and 16 September 2019, were regarded as sufficient infringement notice.

13 However, even if the letters referred to above were considered notices of infringement (“first step”) to which the Defendant did not respond in time, a defendant’s explicit licensing request (“second step”) would be dispensable if the patentee – as in this case on 25 October 2019 – submitted an offer. Likewise, the Federal Court of Justice also assumes, in principle, that omissions can be remedied by subsequent increased efforts and that the user does not permanently lose the FRAND objection due to a one-time omission (cf. FRAND-Einwand II, mn. 60, see also mn. 79 et seq., in particular, mn. 83).

Third step: (First) offer by the patentee

14 In the present case, the Plaintiff submitted an initial offer to the Defendant on 25 October 2019.

15 The question is whether this – first – offer had to comply with FRAND conditions (and whether this must be examined in the court proceedings – in advance – upon objections raised by the defendant).

16 The legal consequences would be evident if the first offer was on FRAND terms. In that case, the user’s only admissible reaction would be to accept the offer. Although there is a range of FRAND-compliant solutions (cf. Federal Court of Justice, FRAND-Einwand II, mn. 70), the user must take an offer from the patentee within this range. This results from the fact that, in this case, (even if the offer were “merely FRAND”), the patentee is not abusing its dominant market position with its injunction, and the Defendant is not entitled to more favourable conditions. Therefore, the Defendant’s reaction to the offer (if it has not accepted it) is irrelevant, i.e., whether it has not reacted at all, expressed an explicit unwillingness to take a license, rejected the offer with a reasoned counter-offer and/or provided or not security, etc. This is based on the grounds that the FRAND objection cannot prevail in this case.

17 Whether the first offer of the patentee must be examined in response to the defendant’s FRAND objection depends on the consequences that follow if the first offer of the patentee was not on FRAND terms.

18 Kühnen considers (Hdb. Patentverletzung, 16th ed., Chapter E mn. 477) – and the Senate understands the Commission’s statement also in this way – that the FRAND objection must always prevail (i.e., the action would have to be dismissed as currently unfounded). Whether and how the user has reacted to the offer and whether there may have been further (improved)

offers by the patentee is of no relevance. The consequence would be that the patentee had only one attempt at the offer.

19 This means with regard to the court proceedings that the first offer would always have to be examined for its FRAND compliance and ultimately be the only decisive factor in determining whether the FRAND objection would prevail. Whatever else happened after that would never be of any consequence because if the first offer was FRAND-compliant, the user would compulsorily have to accept it (see above); if not, the patentee “loses out” (Kühnen loc. cit.).

20 The Federal Court of Justice has rejected the Senate's interpretation (cf., in particular, mn. 54, 70 et seq. of the FRAND-Einwand II). In its opinion, market abuse does not already result from the submission of a non-FRAND-compliant first offer. Rather, this is only the starting point of the negotiations to develop a FRAND-compliant offer by the patentee. Only if the patentee “is not willing to recede [from unreasonable license conditions], even at the end of negotiations” (cf. mn. 54), it would constitute an abusive conduct.

21 In the opinion of the Senate, the CJEU case law cannot be interpreted to imply that after the third step, it is “over“ if the patentee’s offer does not comply with FRAND conditions.

22 The Huawei decision states in mn. 63 (see above):

“Secondly, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, it is for the proprietor of the SEP to present to that alleged infringer a specific, written offer for a licence on FRAND terms, in accordance with the undertaking given to the standardisation body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated.“

23 However, in mn. 65, 66 of the decision, the CJEU requires a counter-reaction of the user, in particular, a counter-offer:

“By contrast, it is for the alleged infringer diligently to respond to that offer, in accordance with recognised commercial practices in the field and in good faith, a point which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics.

Should the alleged infringer not accept the offer made to it, it may rely on the abusive nature of an action for a prohibitory injunction or for the recall of products only if it has submitted to the proprietor of the SEP in question, promptly and in writing, a specific counter-offer that corresponds to FRAND terms.“

24 However, a user’s (FRAND-compliant) counter-offer would only be of significance if the patentee’s offer was not on FRAND terms (otherwise, the user has only the option of accepting

the patentee's – FRAND-compliant – offer, cf. above: the user has no right to a license agreement on its terms, even if these may also be FRAND-compliant).

25 Therefore, a non-FRAND (first) offer by the patentee would not automatically mean that the FRAND objection prevailed. If this were the case, there would no longer be any necessity for negotiations or a counter-offer (as required by the CJEU) (as correctly stated by the Federal Court of Justice in mn. 73 of the FRAND-Einwand II decision). This view also takes into account the fact that the FRAND objection is to be understood as a *dolo agit* objection that cannot (or can no longer) apply if the defendant has received an offer from the plaintiff that is FRAND-compliant.

26 As a result, it should be only noted at this point (“third step”) that the Plaintiff in the dispute submitted a (first) license offer to the Defendant on 25 October 2019. Whether this offer was on FRAND terms, is (at least in the first instance) of no relevance.

Fourth step: Counter-offer by the user

27 As already explained, the CJEU requires the patent user to react to the patentee's offer with a counter-offer (which complies with FRAND conditions). The Federal Court of Justice adopts, in principle, this approach as well (although in the case of an offer that is obviously not on FRAND terms, the user may not even be required to submit a counter-offer but merely explain why the patentee's offer is obviously not FRAND-compliant, cf. FRAND-Einwand II, mn. 71 at the end).

28 The question is whether this step is always mandatory or the user may “skip” it and proceed directly to the “fifth step”, provide adequate security, and thereby enforce the examination of the plaintiff's (first) offer for its FRAND compliance. However, such an approach seems to be questionable as, according to the Federal Court of Justice, the first offer should not be regarded as abusive conduct but only be the starting point for the negotiations – which are also “owed“ by the user – and the patentee should/must be given the possibility to improve its first offer while taking the counter-offer (or the user's statements) into consideration.

29 Nevertheless, this can be left here undecided, as the Defendant submitted a counter-offer on 17 March 2020 (and subsequently, several others).

Fifth step: Provision of security

30 Since the Plaintiff didn't accept either the Defendant's counter-offer dated 17 March 2020 (or the several other counter-offers), the requirements for the "fifth step" – the obligation to provide adequate security – are here, in accordance with the case law of the CJEU, fulfilled. According to the Huawei decision, mn. 67:

"Furthermore, where the alleged infringer is using the teachings of the SEP before a licensing agreement has been concluded, it is for that alleged infringer, from the point at which its counter-offer is rejected, to provide appropriate security, in accordance with recognised commercial practices in the field, for example by providing a bank guarantee or by placing the amounts necessary on deposit. The calculation of that security must include, inter alia, the number of the past acts of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use."

31 In the present case, the Defendant deposited ...<sup>2</sup> Euro with the Mannheim Regional Court as security, as it only had to provide security for the use of the one patent in suit and for acts of use in Germany.

32 However, the Senate does not consider this sufficient: both the requirement of a counter-offer ("fourth step") and the provision of security ("fifth step") are, in the Senate's opinion, more specific terms of the "continuing willingness to take a license" of the patent user as required by the Federal Court of Justice. This usually means that the user/defendant can, in principle, only express and demonstrate its willingness to take a license in this phase of the "Huawei program" through these concrete actions, in particular, through "adequate security" (see below what this means). Conversely, this means that the user/defendant who meets these requirements (in particular, who provides security as defined below) must generally (if it has previously submitted a counter-offer under the "fourth step") be considered willing to take a license regardless of whether it has raised any doubts concerning this matter by its previous conduct.

33 Delays should, therefore, be of no consequence if the defendant has documented its willingness to take a license by providing security; any previously assumed unwillingness to take a license, e.g., due to delaying tactics, should be, therefore, "cured".

34 In the opinion of the Senate, the amount of adequate security is initially determined by the patentee's/plaintiff's offer to be examined, which is not necessarily the first but, in principle, the last offer. If this offer includes a (worldwide) portfolio license, the security must cover the resulting license fee and must not be limited to the patent in suit and the territory of the Federal Republic of Germany. This derives from the fact that security does not have the purpose of

---

<sup>2</sup> Note: Deleted for publication.

securing the claim for damages (which may only extend to the patent in suit and the territory of the Federal Republic of Germany) but rather, in this case, of securing the license fee that the plaintiff can request if a license agreement on FRAND terms is concluded (as requested by the defendant and owed by the plaintiff). However, in principle, an offer consisting (solely) of a worldwide portfolio license can be on FRAND terms (cf. Federal Court of Justice, GRUR 2020, 961 mn. 77 et seq. – FRAND-Einwand I). Should the plaintiff's offer include such a worldwide portfolio license, it must consequently be covered by the security. Similarly, the amount of security (e.g., license rate or lump-sum one-off payment) is, in principle, also determined by the plaintiff's offer (not by the defendant's counter-offer) as the defendant invokes the fact that the plaintiff's offer does not comply with FRAND conditions (an offer which solely can constitute an abuse, see above), and requests its judicial examination.

35 This also results from the fact that the provision of security – as explained above – is a more specific term of the willingness to take a license: The defendant, who claims to be willing to an agreement on FRAND terms (“whatever terms are in fact FRAND”), must consequently be willing to ultimately accept the plaintiff's offer submitted for examination if it is FRAND-compliant (in particular, after judicial, and if necessary expert examination). The defendant can, therefore, (only) prove a corresponding willingness to take a license by providing security in this amount.

36 As a consequence, a binding declaration by the user/defendant must ensure that the patentee/plaintiff receives the security if its offer is ultimately FRAND-compliant and the asserted patent infringement in the action for injunctive relief is definitive. Although this requirement does not derive directly from the CJEU decision, it can be inferred from the “adequate security” requirement. Therefore, security must be appropriate to secure the claim for a FRAND license fee. However, this purpose would be defeated, and the plaintiff would not be “secured” if the defendant, who – contrary to the plaintiff – is, in principle, not obliged to conclude a license agreement, “changed its mind” after the court FRAND examination (possibly with the help of an expert) (e.g., if the plaintiff's offer was on FRAND terms), rejected the offer, waived the FRAND objection and instead have itself ordered to cease and desist – and received the security back (at least to the extent that it exceeds the – potentially significantly lower – claim for damages). In this way, the defendant would achieve the outcome the security intended to prevent, i.e., that the defendant used a delaying tactic and continued to use the patent without a license, and the patentee was ultimately only referred to the (weak) claim for damages.



37 If the user/defendant does not provide security as explained above, a requirement under the CJEU Huawei is not fulfilled, and the defendant will generally be regarded as unwilling to take a license. If the user/defendant provides security (e.g., by deposit/bank guarantee and declaration of commitment or by concluding a license agreement subject to a condition precedent in accordance with the plaintiff's last offer or similar), the plaintiff's offer is to be examined for its FRAND compliance.

38 In this case, the Defendant has not yet provided any security that meets these requirements. However, this does not (yet) deprive it of its FRAND objection. Rather, it must be allowed to provide such security within a time period yet to be determined. Since according to the files, the Plaintiff recently submitted two alternative offers on 06 May 2020 and 30 June 2021, the Defendant is at liberty to decide which of the two offers it provides security for. The Senate would consequently examine the respective offer for its FRAND compliance.