

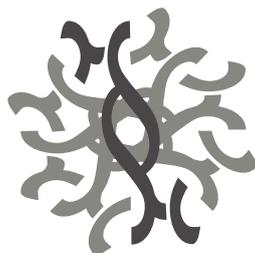


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Second FRAND decision of the German Federal Court of Justice - Sisvel v. Haier for the second time

Federal government plans to increase annual fees in Germany



M I C H A L S K I • H Ü T T E R M A N N
P A T E N T A N W Ä L T E

The second FRAND decision of the German Federal Court of Justice - Sisvel v. Haier for the second time

A few days ago, the second „FRAND“ [decision](#) KZR 35/17¹ of the Federal Court of Justice was published, with the same parties as in the first one.²

FRAND stands for „Fair, Reasonable And Non-Discriminatory“ and refers to the conditions under which a patent holder has agreed to grant access to its patent-protected technology in accordance with a standardization organization.

In principle, a patent proprietor is entitled to injunctive relief. However, in German patent law, especially since the „Spundfass“ decision³, it is in principle possible that it may be improper to insist on the injunctive relief. This can be the case if the patent relates to an industrial standard, so that competitors using the standard have no choice but to infringe the patent. In such cases, the infringer may be entitled to a license, on FRAND terms.

This abuse of a right to injunctive relief stemming from antitrust law has also been established and regulated under European law, in particular since the ECJ's Huawei/ZTE decision.⁴

In addition, in the mobile communications sector, where such standards are particularly important, all companies collaborating on a standard have made a commitment to the standardization organization (ETSI) to grant all competitors access to their protected technologies on FRAND terms. In the case of patent infringements in the mobile communications sector, the objection that the patent holder is not entitled to enforce a claim for injunctive relief is thus common practice on the part of the defendant.

In the aforementioned Huawei/ZTE decision, the ECJ established a number of criteria to determine when injunctive relief is precluded or takes effect.

The patent owner is entitled to injunctive relief if, first, it „*notified the alleged infringer of the patent infringement of which it is accused prior to filing suit, identifying the patent in question and specifying the manner in which it is alleged to have been infringed, and second, after the alleged infringer expressed his / her desire to enter into a license agreement on FRAND terms, made a specific written offer of license to the infringer on those terms and, in particular, specified the royalty and the manner in which it would be calculated.*“

Second, however, the infringer must have acted in such a way that, „*while continuing to use the patent in question, [it] did not respond to that offer with diligence, in accordance with accepted business practices in the relevant field and*



In Our Own Affairs

As of March 1, 2021, Andreas Gröschel was appointed to the User Advisory Council of the German Patent and Trademark Office in his function as Vice Chairman of the Patent and Utility Model Committee of the German Chamber of Patent Attorneys. The User Advisory Council established at the German Patent and Trademark Office advises the authority on the operational further development of the procedural processes for patents and utility models. This is to view the DPMA's procedures from the point of view of the various user groups of DPMA services and to adopt formal recommendations so that, with the expertise of the users, the DPMA can become more user-friendly and customer-oriented.

¹ s. Federal Court of Justice, judgment of November 24, 2020, KRZ 35/17 - FRAND II

² s. on this our newsletter [6/2020](#)

³ s. Federal Court of Justice, judgment of July 13, 2004 - KZR 40/02, Mitt. 2005, 36

⁴ ECJ, judgment of July 16, 2015 - C-170/13 (Huawei Technologies Co. Ltd./ZTE Corp., ZTE Deutschland GmbH), GRUR 2015, 764

in good faith, which must be determined on the basis of objective considerations and implies, inter alia, that delaying tactics were not being pursued."

To briefly summarize: The patent owner must first approach the infringer before filing a lawsuit, and both sides must make serious efforts to obtain a license. Depending on who plays foul in the process, the consequences can then be that no injunctive relief is possible - or just the opposite, that injunctive relief applies despite the antitrust situation.

As in the first decision, the Federal Court of Justice ruled against the patent infringer in the present decision and granted the patent owner injunctive relief. The key factor in the decision - as in the first ruling - was that the patent infringer had not made an unconditional licensing commitment.

At the same time, however, the Federal Court of Justice sets out its position with regard to the „Huawei/ZTE“ protocol in even greater detail and, in practice, comes closer to the position of the British High Court, which in the „Un-wired-Planet“ decision⁵ regarded this protocol as only one possible course of action, but not the only one:

„The Court of Justice of the European Union emphasizes [...] the mutual obligation to engage in constructive exchanges aimed at achieving a fair balance of the interests involved [...] In doing so, due account must be taken of the particular legal and factual circumstances of the specific case [...] This means that compliance with the „negotiation program“ outlined by the Court of Justice of the European Union is regularly sufficient to exclude a violation of the prohibition of abuse and thus the plea of abusive litigation. Accordingly, the Court's answer to the questions referred for a preliminary ruling negatively defines the conditions for denying an abuse of market power. However, since the affirmation or denial of an abuse always requires a consideration of all the circumstances of the case and a weighing of the mutual interests, special circumstances may also justify stricter or less stringent obligations of conduct. [...]“⁶

The second guiding principle of the judgment reads similarly:

„The willingness of the infringer to license must not be exhausted by the one-time expression of the interest in licensing or the submission of a (counter) offer, just as the willingness of the patent proprietor to license. Rather, both parties are required to contribute, in a manner appropriate to the situation and in accordance with the requirements of good faith, to the negotiation of an appropriate balance of the conflicting interests in the form of a license agreement on FRAND terms.“

Thus, strictly speaking, the Federal Court of Justice even goes beyond the „Huawei-ZTE“ protocol. Both sides must not only keep to form, but also negotiate seriously and honestly, otherwise they will be at risk of disadvantages.

As strict as this guiding principle reads, the Federal Court of Justice makes it clear at the same time that the overall behavior of the respective side must be



⁵ High Court of England and Wales [J. Birss], judgment of April 5, 2017, [2017] EWHC 711 [Pat] para 744. This judgment is also cited in para 65.

⁶ para 65

taken into account and that any deviating behavior can certainly still be corrected. This is illustrated by a few quotes from the judgment:

- If the patent infringer/license seeker acts in a wait-and-see manner at first, this is of course not a signal of a serious willingness to license. However, if he tries all the harder later, he can make up for this:

„Therefore, if the user who has been made aware of the infringement has failed over an extended period of time to express interest in a license agreement on FRAND terms, he must be expected to make additional efforts to help ensure that, notwithstanding this failure, a corresponding license agreement can be concluded as soon as possible.“⁷

- In principle, the Federal Court of Justice considers both sides to be under an obligation to cooperate seriously to achieve successful licensing.

„If one party initially fails to cooperate as required in the conclusion of a license agreement on FRAND terms, this is generally to its detriment. Depending on the circumstances, it may be required to compensate for any omissions as far as possible. This corresponds to the usual practices of persons interested in concluding a contract, who, in the event of a delayed reaction to a corresponding offer to negotiate, must normally expect that the other party is no longer interested in concluding a contract.“⁸

- The Federal Court of Justice also clarifies that the patent proprietor's first bid is only to be judged unfair (and thus forfeits the right to injunctive relief) if it clearly does not meet the FRAND conditions. However, it does not (yet) have to be suitable, because with this bid only now the negotiations will begin:

„The [first] offer, with which the patent proprietor fulfills his special responsibility as market dominator to make it possible for the user of the invention to conclude a license agreement on FRAND terms, is not the end point, but the starting point of the license negotiations. At least in a complex situation, as is typically the case in the licensing of standard-essential patents, it is regularly not obvious which contractual terms in the specific case [...] meet the requirements for an appropriate balance of interests and at the same time do not violate the prohibition of discrimination under antitrust law.“⁹

Or elsewhere:

„If the patentee were required to always immediately present an offer that anticipates the reasonable and mutually beneficial outcome of license agreement negotiations, there would be no need for negotiations and no need for a counter-offer from the user who does not wish to accept the patentee's offer.“¹⁰

Another interesting aspect of the decision concerns the question to what extent



⁷ para 62 of the decision

⁸ para 60 of the decision

⁹ para 70 of the decision

¹⁰ para 73 of the decision

an acquirer of a standard-essential patent has to take into account the conduct of the previous owner. In the present case, the defendant had argued that the previous owner of the patent from which the plaintiff had acquired the patent in suit had committed a so-called „patent ambush“, i.e. had not disclosed all its patent (applications) in a standardization process.

However, the Federal Court of Justice did not consider this to be relevant to the decision. Even if there had been such a „patent ambush“, this would at best open up claims of the defendant against the previous owner. Only rights according to §15 (3) (German) Patent Act, i.e. licenses granted, also pass to the acquirer:

„(a) It can be left open whether and, if so, under which further conditions can be objected to by an infringer if a company, which in the standardization process has not disclosed a patent application relevant for the application of the standard in violation of the rules of the standardization organization, enforces a patent resulting from this application or claiming its priority.

b) A defense claim or a claim for a license, as the defendants would like to claim, is directed against the company which is charged with the „patent ambush“ and, if applicable, its universal successor and thus not against the plaintiff in the case in dispute. Outside the scope of application of the succession protection under Sec. 15 (3) Patent Act, objections against the former patentee cannot be raised against the new patentee. Section 404 of the German Civil Code does not apply in the context of patent assignment.”¹¹

As a result, this means increased legal certainty for acquirers of standard-essential patents, since they do not have to take the actions of the previous owner into account.

The second FRAND ruling of the Federal Court of Justice broadly follows the first. However, the classification of the „Huawei/ZTE Protocol“ as non-sacrosanct in two respects is worth mentioning: Firstly, it is not the only way to behave in a FRAND-compliant manner; depending on the case, other behaviors may also be FRAND-compliant; secondly, it cannot be sufficient to have slavishly adhered to the protocol if one’s overall behavior gives the impression that one is not so interested in concluding a license agreement after all.

Whether the judgment in its entirety will stand for a longer period of time depends, of course, on the outcome of the second referral to¹² the ECJ, since details of the „Huawei/ZTE“ protocol were also inquired about here.



¹¹ para 102/103 of the decision

¹² s. our newsletter [12/2020](#)

Federal government plans to increase annual fees in Germany

In addition to the new version of the German Patent Act¹³ and the new ratification of the unitary patent system¹⁴, the Ministry of Justice has now already presented a third [bill in](#) patent law in a relatively short period of time, entitled „Act on the Tasks of the German Patent and Trademark Office and on the Amendment of the Patent Costs Act“.

A short side aspect of the law should be mentioned first: In the Patent Costs Act, it is to be specifically stipulated that an action received can already be served if a valid collection authorization is available, which is to shorten the nullity proceedings even further. In this regard, the draft states the following:

„According to current law, the action should not be served until the court costs have been paid to the defendant's side. Since this is a shall provision, the decision on whether to serve the action even before payment has been received is at the discretion of the (presiding) judges. Some presiding judges of the nullity senates therefore always wait for the payment notification, even in the case of payment by issuing a valid SEPA direct debit mandate, which can lead to a considerable delay in the proceedings. Other senate presidents, on the other hand, order that the action be served as soon as the A 9532 form with complete information has been received. The new regulation is intended to make it easier for the judges of the nullity senates to make decisions be facilitated to order service of process before fees are received if a SEPA direct debit mandate is in place.“¹⁵

The Ministry of Justice is of the opinion that public relations concerning (and indirectly also the promotion of) patents in Germany are insufficient:

„The Federal Republic of Germany lacks a central office with responsibilities for information and public relations work on intellectual property issues and for advising small and medium-sized enterprises (SMEs) in particular on the effective use of the intellectual property system. This also means that there is no central point of contact for European, international and other national authorities, which have become increasingly active in this area in recent years.“¹⁶

This is to be changed by equipping the DPMA accordingly:

„A legal basis is to be created for the DPMA to inform German small and medium-sized enterprises and the public at large about the possibilities of innovation protection and to cooperate effectively with intellectual property offices in other countries as well as European and international authorities within the scope of its tasks.“¹⁷



¹³ s. our newsletters [2/2020](#) and [1/2021](#)

¹⁴ s. our newsletters [5/2020](#), [8/2020](#), [11/2020](#), [12/2020](#) and [1/2021](#)

¹⁵ Explanatory Memorandum to Art 1 of the Law

¹⁶ Draft law, part „A“

¹⁷ Draft law, Part „B“

The fact that 30 new permanent positions¹⁸ are planned shows that the ministry is serious about this. In order not to have to finance this from tax revenues, an increase of 7.5% in the renewal fees - calculated over the term of a patent - is planned as compensation. In fact, the annual fees of the DPMA have not been increased since 1999.

Whether it is really necessary to create a German counterpart to the EPO and EUIPO in terms of communication technology - and what the DPMA's initiatives would look like in the end - remains to be seen. So far, the law has only been published as a draft bill, and it remains to be seen whether, when and how it will be introduced into the Bundestag. In view of the Bundestag elections in September of this year, however, it seems unlikely that it will be passed during this legislative period.

In Our Own Affairs

We wish your relatives, employees, colleagues and of course yourself all the best for the current, still difficult time.

Impressum:

Michalski · Hüttermann &
Partner Patentanwälte mbB

Speditionstrasse 21
D-40221 Düsseldorf
Tel +49 211 159 249 0
Fax +49 211 159 249 20

Hufelandstr. 2
D-45147 Essen
Tel +49 201 271 00 703
Fax +49 201 271 00 726

Perchtinger Straße 6
D-81379 Munich
Tel +49 89 7007 4234
Fax +49 89 7007 4262

De-Saint-Exupéry-Str. 10
D-60549 Frankfurt a.M.
Tel +49 211 159 249 0
Fax +49 211 159 249 20

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¹⁸ A detailed listing of the proposed new positions can be found in Section 4 of the draft.