

**It has been a year since the referral to the CJEU
re. FRAND terms by the District Court Düsseldorf
- what has happened in the meantime?**

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I. Preliminary remark

In its decision of 3/21/2013 the District Court Düsseldorf referred to the CJEU detailed questions in connection with the [FRAND](#) objection. We had reported on this. The questions referred to the CJEU predominantly relate to the modalities of an effective FRAND license offer.

Over a year has passed since the referral. The question therefore arises, what effect the referral to the CJEU has on patent infringement proceedings concerning standard essential patents in Germany.

In addition, the European Commission recently decided at the European level in the Apple vs. Samsung and Apple vs. Motorola cases on the requirements of a FRAND license offer.

II. National level

1. Conceivable reaction: Suspension of the infringement proceedings until a decision is issued by the CJEU

Similar to a nullity suit in regard to the patent in suit, the CJEU referral could be prejudicial to the outcome of the infringement proceedings, so that the infringement court would, if necessary, have to suspend the proceedings.

A prerequisite of a suspension is that the cases are comparable. For this reason, the decision in the infringement proceedings would have to partially depend upon the decision/answer by the CJEU (so-called "prejudicial effect").

However, even if there were a prejudicial effect, suspending the proceedings would be at the discretion of the infringement court. Within the scope of the discretionary decision, it weighs up the conflicting interests of the parties.

In the case of requests for preliminary rulings in patent infringement proceedings, three different interests are in conflict with one another:

1. The Plaintiff's interest in rapidly enforcing its temporary exclusivity re. the invention.
2. The Defendant's interest in non-discriminatory handling of the case in regard to the use of a standard essential patent.
3. The general interest of the public in a decision that is in line with the regulations of European law. This entails preventing decisions by individual countries that transpire retrospectively to infringe European law.

Until such time as a suspension is actually declared, some hurdles need to be overcome by the Defendant.

2. Reception in case law

Overall, there have to date only been a few (published) decisions which deal with the request for a preliminary ruling and the matter of suspension. The case law, however, demonstrates different attitudes towards the legal issue in different regions.

The Court of Appeals Düsseldorf is supposed to have ordered a suspension in two sets of proceedings in view of the decision of Düsseldorf Regional Court. To what extent, however, the decision is solely attributable to the CJEU referral remains unclear. On the whole, the Düsseldorf patent divisions rather seem to be inclined to suspend proceedings in cases where cease and desist claims are (also) asserted.

The District Court Mannheim and the Court of Appeals Karlsruhe handle things differently.

Both courts have to date recognizably not issued any decision to suspend the proceedings in this direction.

Rather, the District Court Mannheim (*cf.* judgment of 12/17/2013, Case No. 2 O 41/13) has put forward an opinion to the effect that no prejudicial effect exists in any case in cases where only a contingent willingness to take a license has been declared. The case forming the basis for the CJEU referral notably, as per the Court, concerns the submission of a contingent license offer. Hence, the circumstances of the cases are not sufficiently comparable.

However, in its decision of 11/8/2013, the District Court Mannheim suspended proceedings on the approval of license fees deposited in the case of an "Orange Book" license, involving the conclusion, that the license fees fixed by the patent holder are in compliance with reasonable discretion, until the decision of the European Commission against the patent holder in parallel proceedings due to abuse of a dominant market position has been issued. The District Court Mannheim further requested the Commission to answer according to which criteria and which factors the value of a standard essential patent portfolio is assessed and a license agreement which is Fair, Reasonable and Non-Discriminatory (FRAND) entered into. The Commission will shortly put forward an opinion on this.

3. Court of Appeals Karlsruhe: Acceptable offer and accounting for past use, probably also considered minimum criteria by CJEU

The Court of Appeals Karlsruhe (decision of 2/19/2014, Case No. 6 U 162/13) even goes a step further and establishes - in an *obiter dictum*, as it were - that it does not assume that, if the criteria of the Orange Book decision were modified by the CJEU in any way, the requirements of an acceptable offer on the part of the party seeking a license and the accounting for the past use would cease to apply.

III. European level

On 4/29/2014, with a memo ([MEMO/14/322](#)) and two press releases, [IP/14/489](#) and [IP/14/490](#), the European Commission made a statement on the admissibility of enforcing standard essential patents against potential infringers, and on their FRAND objection in regard to the latter. The statements relate to the outcome of the Apple vs. Motorola (IP/14/489) and Apple vs. Samsung (IP/14/490) proceedings.

The gist of both decisions is a "safe harbour" concept: The party seeking the license is supposed to be safeguarded from cease and desist claims being asserted due to the use of standard essential patents if it declares its agreement with a third party (the Commission specifies a court or a board of arbitration here) laying down the FRAND conditions and for the party seeking a license to then feel bound by the latter.

The party seeking a license demonstrates sufficient willingness to take on a license in such a case.

The Commission did, however, also declare that the willingness to take on a license can also be demonstrated in other ways. However, it did not specify any examples of the latter.

In addition, the Commission expressly clarified that the party seeking a license may (continue to) defend itself against the cease and desist action arguing that the patent is not essential to the standard, that there is a lack of legal validity and that there is no infringement. For it is, as per the Commission, (also) in the public interest for patents whose legal validity is in doubt to be examined and for the end user, as well as the affected companies, also not to have to pay for patents that are not infringed.

IV. The bottom line

In regard to the referral, the CJEU will - in any event within the scope of the questions referred - specify the criteria for an effective FRAND objection in greater detail. Until that date (a decision is currently not in view), it will

be necessary to mostly meet the prerequisite of the "Orange Book" decision, in order to be successful with the corresponding argumentation.

Whether the strategy already emerging in practice, i.e. to refrain from asserting cease and desist claims, works out, in order to avoid a suspension being imposed by the Düsseldorf courts in any case, remains to be seen.

An acceptable offer and the billing for past use actions would have to be considered - in Karlsruhe and Mannheim - for an effective FRAND objection.

The Commission's "safe harbor" concept resembles the option that already exists in Germany following the "Orange Book" decision of a third party determining the conditions (*cf.* Sec. 315 German Civil Code (*BGB*)). As this option is already essentially recognized in Germany, no fundamental changes are to be expected. Much more fascinating, however, is the question of how, in light of the Commission decisions, the infringement courts and affected parties interpret the expression "willingness" to take a license. To be specific, there is no generally applicable, abstract definition of what constitutes such "willingness".

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