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KRIEGER MES & GRAF v. der GROEBEN DÜSSELDORF·ESTABLISHED 1929

POLISH, GERMAN, FRENCH

AIPPI SEMINAR 2017

Patents and regulatory issues

- Aspects of the FRAND discussion -

Dr. Jochen Bühling

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Background

- Role of SEPs

  - Technical and other standards
  - *de iure* and *de facto* standards
  - Essentiality
  - Patents

<u>In practice:</u> ICT standardisation

Internet of Things (IoT)

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Background

- Exclusivity vs. Freedom of access to the market

  - patents grant an exclusive right to use and to prevent third parties from using the invention for a limited time

  - fundamental right to access the market for everybody

  - legal background: Art. 101, 102 TFEU

    Block exemptions, e.g. Regulation 316/2014 (technology transfer)

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Background

- <u>Enforcement of IP</u>

  - Enforcement Directive 2004/48/EC
  - Remedies include injunctions (discretion? automatic?)
  - national law vs. Art. 63 UPC

- <u>Inherent conflict ?</u>

  - Exercise rights conveyed by the patent
  - Effective protection
  - Abuse of market power (dominant position, discrimination)

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The world before CJEU *Huawei/ZTE*

- <u>Patent enforcement</u>

  - Sec. 139 (1) German Patent Act (GPA): injunctive relief
  - Sec. 139 (2) GPA: damages for past infringement

  - infringement: use of SEPs when offering for sale or selling a device which is suitable to be operated under the standard

  - preliminary injunctions available for patent infringement cases
  - permanent injunctions in cases on the merits

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- Federal Court of Justice (BGH) judgment of 6 May 2009,
  KZR 39/06 - *Orange Book Standard*

  - principle: enforcement of patent rights prevails also with regard to SEPs (no difference from non-SEPs) and is in general not abusive

  - FCJ accepts the objection/defense of the Defendant based on anti-trust law

  - right to a license (cf. also sec. 24 GPA, compulsory license)

  - burden is on the Defendant (unconditional offer, accounting, deposit of damages for past infringement)

  - infringement action to be dismissed if the Defendant made an offer which was considered to be FRAND and could therefore not be rejected by the Plaintiff

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- Federal Court of Justice (BGH) - *Orange Book Standard*
  (head notes)

  (1) A defendant sued based on a patent is able to defend himself against the claim for injunctive relief asserted by the patent proprietor filing the action by pleading that the latter abuses a dominant position on the market if he refuses to conclude a patent license agreement with the defendant on non-discriminatory and non-restrictive terms and conditions.

  (2) Yet the patent proprietor in only culpable of abusive behaviour if the defendant has made him an unconditional offer to conclude a license agreement to which he stays bound and which the patent proprietor must not reject without violating the prohibition of discrimination or anti-competitive behaviour, and if the defendant, for the time that he is already using the subject matter of the patent, complies with the obligations that the license agreement yet to be concluded imposes in return for the use of the patent.

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- <u>Federal Court of Justice (BGH) - Orange Book Standard</u>

(head notes)

(1)…

(2)…

(3) *If the defendant considers the patent proprietor's license demands to be excessive or if the patent proprietor refuses to quantify the royalties, an offer to conclude a license agreement in which the licensor determines the amount of royalties according to its own reasonable discretion meets the requirement of such an unconditional offer.*

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- <u>Decisions of lower instances following Orange Book</u>

– District Court Düsseldorf
– Court of Appeal Düsseldorf
– District Court Mannheim
– Court of Appeal Karlsruhe

  - Different approaches
  - Injunctive relief granted, but enforcement suspended in certain cases

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Questions posed to the CJEU

- LG Düsseldorf, decision of 21 March 2015, 4b O 104/12 - *Huawei/ZTE*

Request for preliminary ruling on interpretation of Art. 102 TFEU

(1) *Does the proprietor of an SEP who has declared its willingness to grant a license to third parties on FRAND terms abuse its dominant market position if it brings an action for injunctive relief against an infringer although the infringer has declared to be willing to negotiate?*

or

Is an abuse of the dominant position to be presumed only where the infringer has submitted an unconditional offer for a license?

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Questions posed to the CJEU

- LG Düsseldorf, decision of 21 March 2015, 4b O 104/12 - *Huawei/ZTE*

Request for preliminary ruling on interpretation of Art. 102 TFEU

(2) *If an abuse is already presumed as a consequence of the infringer's willingness to negotiate, does Art. 102 TFEU lay down particular qualitative and/or time requirements in relation to the willingness to negotiate?*

(3) *If the submission of an acceptable, unconditional offer to conclude a license agreement is a prerequisite, does Art. 102 TFEU lay down particular qualitative and/or time requirements in relation to that offer?*

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Questions posed to the CJEU

- LG Düsseldorf, decision of 21 March 2015, 4b O 104/12 - *Huawei/ZTE*

Request for preliminary ruling on interpretation of Art. 102 TFEU

(4) *If the fulfillment of the infringer's obligations arising from the license is a prerequisite for the abuse, does Art. 102 TFEU lay down particular requirements with regard to those acts of fulfillment?*

(5) *Do the conditions under which an abuse is to be presumed apply also to an action on the ground of other claims (e.g. damages etc.) arising from a patent infringement?*

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The CJEU decision

- <u>CJEU judgment of 16 July 2015 C-170/13</u>

  (1) Art. 102 TFEU must be interpreted as meaning that a patent proprietor who has declared its willingness to grant a third party license on FRAND terms does not abuse its dominant position by bringing an action for injunctive relief and recall of products, if

  - *prior to bringing that action the patent proprietor has alerted the infringer and has presented to that infringer (who has expressed its willingness to negotiate) a specific written offer on those terms specifying in particular the royalty and the calculation, and*

  - *where the infringer continues to use the patent, the infringer has not diligently responded in good faith.*

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The CJEU decision

- <u>CJEU judgment of 16 July 2015 C-170/13</u>

  (2) Art. 102 TFEU must be interpreted as not prohibiting a patent proprietor from bringing an action for infringement against a third party infringer seeking damages or the rendering of accounts in relation to past acts of infringement.

  - To be determined on a case to case basis taking into consideration all circumstances and objective factors of the specific case

  - Implies that there are no delaying tactics

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The CJEU decision

- <u>CJEU judgment of 16 July 2015 C-170/13</u>

What is FRAND?

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German case law after *Huawei*

I. District Court Düsseldorf 4a O 144/14 of 3 November 2015
Court of Appeal Düsseldorf I-15 U 65/15 of 13 January 2016
Sisvel v Haier

- DC: not to consider whether the offer of the Plaintiff is FRAND if the Defendant does not react according to the criteria set out by the CJEU

- CoA: suspended enforcement of judgment with regard to claims for injunctive relief, recall and destruction of products but allowed enforcement regarding information and accounting; CJEU has given a clear hierarchy/ranking of the criteria to be applied in assessing the defence which has to be followed; otherwise no balance of convenience

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German case law after *Huawei*

II. District Court Düsseldorf 4a O 126/14 of 31 March 2016
Court of Appeal Düsseldorf I-15 U 35/16 of 9 May 2016
Saint Lawrence v Vodafone

- DC: transitional case with regard to CJEU decision; late filed alert of infringement is permissible with regard to previous German case law (Orange Book); discussed criteria at least on an auxiliary basis

- CoA: rejected motion to suspend enforcement of judgment; reasons of the DC are justifiable; DC did see the other criteria; not evidently wrong assessment by the DC

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German case law after *Huawei*

III. District Court Mannheim 7 O 96/14 of 4 March 2016
Court of Appeal Karlsruhe 6 U 55/16 of 31 May 2016
Pioneer v Acer

- DC: transitional case with regard to CJEU decision; requirement to submit a written offer does not mean that the infringement court has to assess FRAND in detail; it only requires an assessment if the offer "evidently does not contain FRAND conditions"

- CoA: suspended enforcement of judgment with regard to recall of products but rejected further motion regarding other claims (including injunctive relief); incorrect standard applied by the DC for assessment; court must look at the offer in detail; patentee may have a certain leeway in offering FRAND conditions

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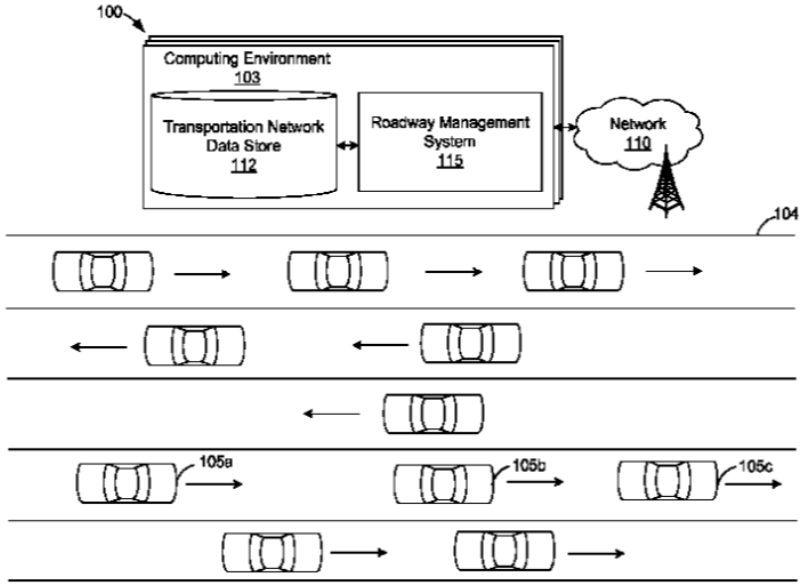
Autonomous vehicles

US 9,547,986 B1



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Autonomous vehicles

- <u>Facts</u>

  - Problems in today's traffic are increasing (such as road safety, congestion, environmental issues)
  - Technical development is advancing fast
  - Roadmap for different stages of automated driving and transport
  - until fully automated (est. 2026-2030 according to ERTRAC)
  - Industry increased efforts to be part of the development
  - Testing on public roads is underway in the US
  - Limited testing in EU on restricted and well-defined areas only

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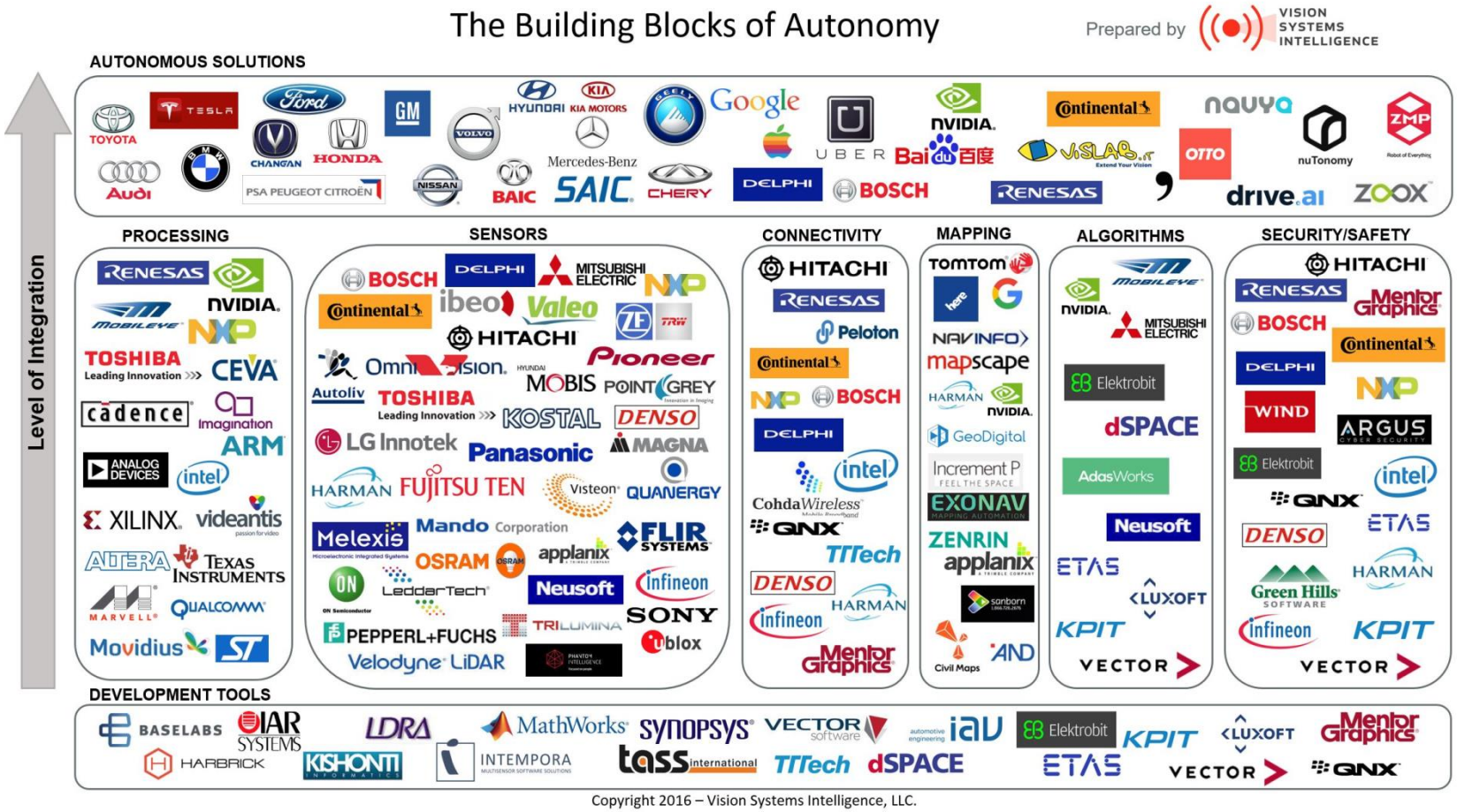
Autonomous vehicles



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Autonomous vehicles

- <u>Patent situation</u>

  - Who owns the patents?
  - Patent pools or co-operations
  - Technical fields involved (e.g. communication)
  - What parts of the technology are patented?

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Autonomous vehicles

- Regulatory issues and legal framework

Art. 8 Vienna Convention on Road Traffic (1968):

(1) Every moving vehicle or combination of vehicles shall have a driver.

- Traffic is highly regulated (UN, International, EU, nationally)
- Public concerns (primarily traffic safety and technical equipment)
- Who may test and how?
- Driving education and licensing
- Data protection
- Liability issues

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Autonomous vehicles

- <u>FRAND issues:</u>

  - Development of standards (infrastructure; communication V2V, V2I, vehicles to anyone else)
  - Involvement of SSOs
  - Government control (which level?)
  - Application of principles from other ICT fields (experience, know-how)
  - Funding?

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Green Technologies

- <u>Patent situation*</u>

– Role of patents for green technologies to be generally accepted
– Patentability issues
– Interest and need to disseminate the technologies for wider use
– Free access?
– Patent commons?
– Incentives for users and manufacturers

*cf. AIPPI Standing Committee on IP and Green Technology; Report on “Climate Change and Environmental Technologies – the Role of IP, esp. Patents (2014)” and Resolution “Patent Rights and Green Technology / Climate Change” (Milan 2016)

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Green Technologies

- <u>Regulatory framework and issues</u>

– Multilevel legislation and regulation
– Compulsory vs. voluntary use of green technologies
– Access to technologies
– R&D
– Incentives and funding
– Political acceptance
– Conflicting interests

– Standardization desirable (cf. Milan Resolution sec. 5)
– Involvement of SSOs and IP policies

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Green Technologies

- <u>Consequences for patents and FRAND</u>

– Licenses are required for the use of the green technologies
– Does the sector of industry make a difference?
– Should the same principles apply as for other technologies?
– Definition of FRAND
– Should there be exceptions to protection conveyed by granted patents?

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THANK YOU FOR YOUR ATTENTION!

Dr. Jochen Bühling

Attorney-at-law | Partner
KRIEGER MES & GRAF v. der GROEBEN
Bennigsen-Platz 1 | 40474 Düsseldorf | Germany
T +49 211 440337-0 | F +49 211 440337-60
E jochen.buehling@krieger-mes.de