INJUNCTIONS FOR INFRINGEMENT OF FRAND-ENCUMBERED STANDARD ESSENTIAL PATENTS: THE SISVEL VS. HAIER JUDGMENT OF THE DÜSSELDORF COURT

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1. INTRODUCTION

Seeking injunctions before Courts is generally a legitimate remedy for patent holders in case of patent infringements. However, seeking an injunction based on standard essential patents (hereinafter, “SEP”) may violate antitrust legislation, for instance if a SEP holder has given a voluntary commitment to license its SEPs on fair, reasonable and non-discriminatory (hereinafter, “FRAND”) terms and where the alleged infringer is willing to enter into a license agreement on such FRAND terms. In other words, the application for an injunction may constitute an abuse of litigation: in this context, the governing legal framework should strike a balance between conflicting interests and rights, namely, the right to have access to Courts, the protection of intellectual property rights and competition principles.

The present contribution focuses on the application of article 102 of the Treaty on the Functioning of the European Union (hereinafter, “TFEU”) to injunctions for infringement of FRAND-encumbered patents against willing licensees. It aims at providing an overview of the recent developments in case-law, with specific regard to the judgment Sisvel vs. Haier decided by the Düsseldorf Courts.

The application of article 102 TFEU to injunctions for infringement of FRAND-encumbered patents has given rise, so far, to different approaches by national Courts and the European Commission. In the Huawei judgment, the European Court of Justice (hereinafter, “ECJ”) clarified the elements necessary for ascertaining an abuse, specifying the obligations to be met by (i) the SEP holder before requesting an injunction, in order not to violate competition law for such request, and

¹ Italian Competition Authority.
² The present paper has been redacted with the contribution of Gian Luca Pastuglia.
³ For the sake of completeness, it should be noted that national case law within the European Union regulates such injunctions also under branches of law other than antitrust. For instance, the directive 2004/48/EC, on the enforcement of intellectual property (hereinafter, “IP”) rights, establishes some limiting principles in the application of IP enforcement measures, including injunctions; it also provides – under specific conditions – the power of Courts to order pecuniary compensation instead of applying injunctions.

(ii) the alleged infringer for showing its willingness to execute a license with the patent holder and, thereby, avoiding possible injunctions.

The *Sisvel vs. Haier* case represents one of the first applications of the principles established in the Huawei ruling and proposes some solutions to the questions left open by the ECJ.

2. SOME BACKGROUND ON THE RELEVANT CASE LAW

National Courts have proposed different solutions with respect to the application of competition law to injunctions for infringement of FRAND-encumbered patents.

For instance, in the *Orange Book Standard* case, the *Bundesgerichtshof* (hereinafter, “BGH”) pointed out that a request for injunctions by a SEP holder may constitute an abuse of dominant position only if the alleged infringer complied with certain obligations showing its willingness to execute a license. In particular, the alleged infringer should have (i) made an unconditional binding offer for the conclusion of a license that the patent owner could not refuse without being in breach of its obligations and (ii) satisfied in advance the obligations deriving from the license agreement that is being concluded – and in particular should regularly render account for its acts of use and pay (or deposit) the corresponding royalties – if the alleged infringer has already been making use of the patent before the owner accepted its offer.6

In the *Samsung vs. Apple* preliminary ruling, the Milan Court affirmed, also on the basis of competition concerns, that injunctions for FRAND-encumbered patents should be denied where (i) the alleged infringer has made an offer to execute a license and (ii) there has been honest negotiations between the parties for the execution of such license. Furthermore, having not found bad faith in the conduct of the parties, the Court excluded that the SEP holder had committed an abuse of dominance by seeking injunctions.

The European Commission too gave some indications on injunctions for FRAND-encumbered patents against willing licensees. Specifically, in the *Motorola* case, the Commission held that – irrespectively of the previous behavior of the alleged infringer – the patent owner cannot request injunctions against such infringer, once the latter made an offer for the execution of a license and,

6 On this case see also the Opinion of the Advocate General Wathelet in the *Huawei* case, highlighting that the standard at issue in the Orange Book Standard case was a de facto standard and the relevant owner had not given any commitment to grant licenses on FRAND terms.

7 See the Order of the Milan Court, dated January 5, 2012, case *Samsung vs. Apple*.


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according to the terms of such license, the patent owner is entitled to FRAND royalties.

In order to clarify the legal framework, the ECJ has defined, in the *Huawei* case,\(^9\) the scope of application of article 102 TFEU to injunctions against infringement of FRAND-encumbered patents. As highlighted by some scholars, the Court did not discuss the issue of dominance by a SEP holder. Also, the judgment did not provide any guidance as to the legal standards that define whether the terms of a license offer constitute FRAND terms.\(^{10}\) However, the ECJ explained the conditions under which the application for an injunction constitutes an abuse and specified the obligations of the patent owner and the alleged infringer in the negotiation and execution of a license.

In this respect, the ECJ burdens the patent owner with specific obligations to be met before seeking an injunction, such as making a preliminary notice to the alleged infringer. Also, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, the patent owner should make a specific, written offer for a license on FRAND terms to such infringer. On the other hand, according to the ECJ, the alleged infringer should promptly respond to the offer (even with a possible counter-offer), in accordance with recognized commercial practices in the field and in good faith; the infringer should also comply with some obligations, such as providing appropriate security, if it is already making use of the patent.

### 3. The Düsseldorf Judgment

The *Sisvel vs. Haier*\(^{11}\) case concerns an injunction requested by the company Sisvel before the Düsseldorf Landgerichte for the violation of the German part of its European patent no. EP 0852885B1 by the company Haier. Since such patent was essential for the implementation of the GPRS standard developed by the European Telecommunications Standards Institute (hereinafter, “ETSI”), Sisvel committed itself to license such patent to third parties on FRAND terms. In light of this, Haier defended itself by asserting that the judicial action of Sisvel constituted an abuse of dominant position. While the Landgerichte denied that seeking the injunction constitutes an abuse (for instance because the SEP holder offered to the infringer a license, even though the compliance of such license with FRAND commitments was doubtful) and granted the injunction, the Oberlandesgericht suspended the execution of the injunction stressing the obligation of SEP holders to offer FRAND terms.

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\(^9\) See the Judgment of the ECJ, dated July 16, 2015, case C-170/13, *Huawei Technologies vs. ZTE*. For further information on this case see e.g. C. Noto, *The ECJ clamps down on Standard Essential Patents*, in this number of this Review.

\(^{10}\) See, more thoroughly, on this issue Muscolo cited, pp.117-118.

\(^{11}\) See the judgment of the Düsseldorf Landgerichte, dated November 3, 2015, case 4a O 144/14, *Sisvel vs. Haier*. 

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As a preliminary remark, it should be noted that, since the injunction has been requested before the issuance of the Huawei judgment, the Düsseldorf Court partially applied the legal framework devised by previous German case law. In particular, differently from the ECJ ruling, the Court do not require the patent owner to comply with the notification requirement before requesting the injunction. On the contrary, according to the Court, filing the lawsuit was sufficient to detail the infringement.

As already noted, however, the Düsseldorf Court also interprets the principles established in the Huawei judgment. In this respect, the Court specifies that the patent holder may offer the license to the parent company of the alleged infringer, even if the defendants to the proceedings are the local subsidiaries. The Court stated that it can be assumed that the parent company of the group is the right entity to approach and that it would take steps to inform its subsidiaries.

Importantly, the Court notes that the offer from the patent holder should not necessarily comply with FRAND commitments. More specifically, according to the Court, even though the proposal of the patent holder does not implement FRAND terms, this should not exempt the alleged infringer to follow the other steps laid down in the Huawei judgment. Indeed, the burden for the negotiation and execution of the license should be placed primarily on the alleged infringer. In this regard, the Court relied primarily on paragraph 56 of the ECJ judgment, which states that “it is for the alleged infringer diligently to respond to that offer, in accordance with recognized 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.”

The alleged infringer should therefore make a counter-offer and, if the same infringer is already making use of the subject-matter of the patent, it should provide security for payment. Also, the Düsseldorf Court requires the alleged infringer to provide the patent holder with a statement of account of past use (while the Huawei judgment was not clear on this point and stated that “the alleged infringer must be able to render an account in respect of those acts of use”).

Finally, the Düsseldorf Court also stresses that the alleged infringer should promptly comply with its obligations. In particular, such infringer should provide the statement of account and the security within a reasonable period of time once the SEP holder has rejected the counter-offer.

The Landgerichte took a strict and formalistic approach with regard to the alleged infringer, for instance by obliging the same infringer to deliver a statement of account of past use to the SEP holder. The solution proposed by the Landgerichte could also provide leverage to a SEP holder, as it opens up the possibility for it to start with only a vague or non-FRAND offer. Furthermore, following the approach of

12 See above in part 2, and in particular the Orange Book Standard case.

13 In the case at issue, the patent owner had offered to the alleged infringer a worldwide license for its whole portfolio, rather than a license limited in scope to the SEPs or limited in geographical scope to Europe.
the Landgerichte, a simple mistake or even short delay on the part of the alleged infringer could prevent a successful FRAND defense from being raised.

The execution of the judgment of the Düsseldorf Landgerichte has been partially suspended by the Düsseldorf Oberlandesgericht in January 13, 2016.\(^\text{14}\) Such suspension has been justified by a different interpretation of the principles set out in the Huawei judgment.

In particular, according to the Appeal Court, if the patent holder does not offer FRAND conditions, the alleged infringer is not obliged to comply with its obligations. This implies that if the patent holder subsequently requests an injunction, this may be considered an abuse of its dominant position. The Appeal Court bases its decision on several arguments; specifically, the Court highlights the FRAND obligation assumed by the patent holder before the standard setting organization and underlines also that the holder is in a better position to assess whether the terms of the license are not discriminatory. Moreover, the Court argues that this solution implies a fairer balance between the interests of the patent owner and of the alleged infringer.

\(^\text{14}\) See the Order of the Düsseldorf Oberlandesgericht, January 13, 2016, case n. I-15 U 65/15, Haier vs. Sisvel. Other German Court decisions rendered post Huawei are, among others, Higher Regional Court Düsseldorf, 13 January 2016, I-15 U 66/15; Regional Court Mannheim, 29 January 2016, 7 O 66/15; Regional Court Mannheim, 4 March 2016, 7 O 23/14; Regional Court of Düsseldorf, 31 March 2016, 4a O 73/14 and Higher Regional Court Düsseldorf, 9 May 2016, I-15 U 36/16.

### 4. Conclusions

Several doubts continue to arise with reference to the application of article 102 TFEU to injunctions for infringement of FRAND-encumbered patents. The Huawei judgment gave some important clarifications in this respect; however, national Courts will continue to have a role in specifying the obligations and procedures to be followed by the parties in the negotiation of FRAND licenses.

The conclusions of the Landgerichte have been strongly contrasted by the Oberlandesgericht, which placed the burden of the negotiation and execution of the license primarily on the patent owner. The statements of the Düsseldorf Landgerichte concerning the irrelevance of the offering of non-FRAND terms by the patent holder may be strongly dependent on the specific circumstances of the case; indeed, administrative and judicial authorities cannot be prevented from contrasting possible abuses committed by SEP holders by offering unfair or exclusionary terms to potential licensees.