

St. Lawrence Communication v. Vodafone: the German Courts in an interesting case of application of the Huawei/ZTE teachings

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During the last years, it is noticeable that there is an existing conflict between patent law and antitrust law, according to **standard-essential patents (SEPs)**. Patent law provides a patent holder the right to prevent other parties from using its patented invention. On the other hand, antitrust law prohibits the abuse of a dominant position – under the article 102 of the Treaty on the Functioning of the European Union – when a SEP holder prevents a SEP user from implementing an industry standard by requesting injunctive relief.

For this reason, the main question is, under which circumstances a claim for injunctive relief could be an abuse of a dominant position. An answer to this question provides the Regional Court of Dusseldorf in the case **St. Lawrence Communication v. Vodafone** (4a O 73/14), in which has clarified the requirements of an antitrust defense against a Standard Essential Patent (SEP). The German Court, in light of the Court of Justice’s judgment in Huawei/ZTE (Case C-170/13) for the first time, has issued whether or not the actual license offered by the Plaintiff was FRAND (fair, reasonable and non-discriminatory).

The plaintiff is offering the patent in suit as well as its other patents in terms of a global portfolio license. The claim of the Plaintiff was that the Defendant has infringed the patent in suit. The German Court stated that there was an infringement and that the defendant “*cannot raise the compulsory license objection on the basis of antitrust law*”. It has also to be mentioned that the criteria set forth by the CJEU are applicable to the present case and that the German Court has offered, based on the Huawei/ZTE case, **further guidance** on some details not expressly mentioned in the Huawei/ZTE case.

Accordingly, the SEP holder should inform and notify the infringement **before bringing an action** for a prohibitory injunction, while the infringer has to declare willingness to license. As a matter of fact, the SEP holder has to make a specific, written license offer at fair, reasonable and non-discriminatory terms (FRAND). If the infringer does not respond to this offer, has to **make a counter-offer** within a short period of time. In this case, if the SEP holder will reject the counter-offer the infringer is obliged to **render an account** and provide security for the payment of the licensing fees.

The German Court has underlined that it is necessary to **notify the infringement** to the patent user, before the submission of the complaint and the payment of court fees. Even if the Plaintiff has already filed and paid the courts fee before notifying the infringement, the Court has disregarded this criterion on the basis of the **principle of legal certainty**. By this statement the German Court has tried to mitigate the effect of the application of the Huawei/ZTE case law to a German case initiated before the CJEU ruling.

Furthermore, the Court has rejected the defendant’s statement of **willingness to be granted with a license during the course of the trial**

, because it was out of time *per se*. The Court also added that the plaintiff is able to file for an injunction regardless of the further requirements set out in Huawei/ZTE, because of the **untimely** declaration of the defendant.

In addition, the Court evaluated whether the offer by the plaintiff was in fact FRAND. It has been made clear that **comparable license agreements** previously concluded with other licensees are an important evidence of the terms being FRAND. However, such comparable is not applicable, when the other license agreements have been concluded under the pressure of an injunction. In the case at stake, the Court has found that the submission of 12 other comparable license agreements by the plaintiff was a sufficient index of a FRAND offer. The license agreement offered to the patent user could be also **worldwide license**, that represents a common practice in the patent license sector.

Besides that, the plaintiff must also specify the manner of **calculation of the royalties** which the FRAND offer demands. As FRAND is usually not a specific amount but a range, the plaintiff is not obliged to state a mathematical source. Hence, it should not be interpreted so strictly. However, the most important is, that the defendant neither made a counter-offer nor rendered an account, which is why the FRAND-defense was dismissed by the Court.

Last but not least, the Court highlighted that **a lawsuit against a distributor** aiming at the conclusion of a license agreement with the supplier does not constitute *per se* a breach of antitrust law, since the plaintiff should comply with antitrust laws either suing the distributor or suing the supplier.

From my point of view, it is worth mentioning that for the first time, the German Court has tried to clarify what are FRAND terms. The German Court has identified as valid comparable the existing license agreements, even if in this case becomes crucial evaluating whether these comparable license agreements have been contracted under the pressure of an injunction. In addition the Court has clarified some important aspects of the behavior of the patent holder and the patent user. Therefore, the Court pointed out that the notification by the patent holder must precede the filing of a lawsuit, so that the patent user is in the position to negotiate without the pressure of a pending litigation. On the other hand, the declaration of willingness to be granted with a license by the defendant must arise on time (i.e. before the filing of a lawsuit).

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