

GERMANY

Developments since *Huawei Technologies v ZTE - part 2*

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In a series of decisions following the CJEU's *Huawei Technologies v ZTE* judgment (discussed in our article published in October 2016), which is significant with regard to SEP and FRAND, German patent litigation chambers have further clarified their requirements for the conduct of parties to an infringement procedure.

The most important developments – although not (yet) confirmed by the highest court – are briefly the following:

- The CJEU's requirements for injunction and recall claims are also applied to destruction claims.
- It is insignificant whether the patent holder is the exclusive patent exploiter or a company acting in a downstream product market.
- Patent holders who have filed their claim prior to the publication of the CJEU judgment or the Advocate General's opinion may fulfil their obligations (infringement notification, hearing and licence offer before legal action is taken) only after the action is brought.
- "Before legal action is taken" in the sense of the CJEU ruling means before the lawsuit is filed and an advanced payment on court fees is made.
- If the infringement notification amounts to no more than a nit-picking formality, it can be waived. Whether a delayed notification can be cured by a subsequent licensing request is still unclear.
- If the violator is considerably late in meeting their respective obligations (licensing request, counter-offer, security deposit, statement of accounts), the patentee can enforce the injunction in court, although he remains committed to FRAND licensing. Even at the stage of drafting their counter-offer, the infringer must, inter alia, make arrangements to provide security for and statements of accounts about already performed acts of use so as to be able to carry this out quickly after rejection of the counter offer.
- If the infringer has asked for a licence, the courts must not only summarily examine whether the patent owner's licence offer to the infringer consenting to pay royalty does not evidently contradict FRAND terms. In fact, it must be conclusively clarified in the infringement proceedings whether the offer is still within the margins prescribed to the patent holder by the FRAND criteria.
- The patent holder may not fully pass on the FRAND licence conditions to the violator, but must state a specific licence fee and explain in detail how it is calculated. The same applies to the infringer's counter-offer.
- Existing licence agreements are important indicators for determining FRAND terms. The specific features of corporate group or global licence agreements as well as pool licences must be considered as reference values in their use.
- The offender is barred from making his counter-offer conditional upon the validity or essentiality of the patent in suit. A clawback provision is also considered to be inadmissible.
- The patent owner has the right to choose whether he shall first take action against the manufacturer or the distributor of the challenged embodiment. In any event, the distributor is entitled to raise an objection that the patentee has failed to meet its licensing obligations towards the manufacturer.
- With regard to claims for damages, the FRAND declaration does not have the effect that damages claims are limited to only the amount of a FRAND licence from the outset.