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An offer you can't refuse

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[“An offer you can’t refuse”]

The „FRAND-Defense“

Michael Beurskens¹

Abstract

The best way to maximize the value of a patent is to ensure it gets incorporated into an industry standard – as this will significantly increase the demand for licenses. While a standard eliminates most of the interest in competing technologies, it will dramatically increase interoperability on the product market. Even though standards are thus considered beneficial in general, they pose significant legal issues: What conduct in the standardization process will be considered “unfair”? Under what terms must patents used in a standard be licensed? Is there a right to a compulsory license – and how can it be enforced? This brief article tries to answer these questions based on recent European and German case law, while keeping an eye on comparable developments in the US.

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1. Introduction: Standardization, Patents and Competition

How would you like a world, where your cellphone would only work in your home town, but not anywhere else? Or where your expensive word-processing package would only run on your current computer? Probably not much – which is why standardization is seen as an inevitable process nowadays.² The benefits of standardization go beyond this, though: Standard-boxes will stack easier (and can be stored more efficiently), consumers can compare the content of standard-sized soda bottles easier (and thereby decide on price and taste) and it will be easier to ascertain the safety of a single standardized type of product than numerous different widgets. Generally, setting a standard will benefit to competition by allowing for significantly larger secondary markets,³ thereby outweighing the elimination of competition on the primary market.⁴ After successful adoption of a standard, no relevant consumer interest in alternative solutions remains and the producers of add-ons or replacement parts can focus on a single platform.⁵ This is easily exemplified by the failed standards for video-tapes (Betamax and Video2000) or the battle between the BluRay-disk and the HD-DVD (where consumers were reluctant to rely on either system). The general criticism of the “undemocratic” process of standard-setting is beyond this short paper.⁶

Thus, once a standard is set, most if not all manufacturers will incur significant costs to ensure their products comply to it. While redesigning production lines and marketing will account for a significant part of these expenses, nowadays royalty fees will often take center-stage: If any part of the standard is subject to a patent, which must be applied in order to comply (‘essential patent’), it will grant the patent-holder a dominant position in the (separate!) market for products compliant to the standard. Thus, a patent-holder is not only rewarded for his invention, but gains an undeserved windfall from standardization (at the expense of those patents not embedded into the standard and therefore not receiving their share of profit).⁷ This can easily strangle smaller players desiring to implement the standard – especially in jurisdictions where the range of patentable subject matter (and thus the number of patents) is as broad as the US.⁸

Even though this additional, undeserved benefit and the accompanying danger to competition might give reason for concern,⁹ courts and antitrust authorities will consider sanctions against a patent-holder only in ‘exceptional circumstances’.¹⁰ Specifically, the ECJ will apply Art. 82 (especially lit.b) EC-Treaty to intellectual property rights (in copyright-cases) under four cumulative conditions:¹¹ (1) The refusal must prevent the emergence of a “new product” for which there is potential consumer demand, (2) the refusal is not justified, (3) the refusal will exclude any competition on a (possibly hypothetical) secondary (=separate) downstream market.¹²

While this limitation of European doctrine might stem from Article 295 of the EC-treaty, which expressly rules out any prejudice to the Member States’ property laws, the relationship between intellectual property rights and antitrust law has been tense in national laws as well.¹³ Patent-law grants the patent-holder *exclusive rights* to use a patent, and correspondingly the right to (proactively) claim injunctive relief, and to (retroactively) seek damages and destruction of any product in violation of the patent.¹⁴ The idea is “*to strengthen innovation by limiting imitation*”.¹⁵ The abuse of a dominant position (such as the one ‘naturally’ conferred by a patent) is subject to review under antitrust law.¹⁶ Since this would significantly undermine the value of any patent, it was long assumed that antitrust law will not apply to ‘normal use’ of a patent at all.¹⁷ However, it

is noteworthy that standardization goes *beyond* the "normal" effects of a patent and significantly increases the economic power of the right to license and exclude.

This brief paper will sum up recent case law on that conflict in Germany. Initially, I will examine the reasons and terms of possible licenses (sub 2), whereas I will subsequently focus on the practical enforcement in court (sub 3).

2. Standardization and Compulsory Licensing

Licensing under "reasonable terms" appears in two highly distinct constellations: In "*de iure*"-standards the obligation to provide a "Fair, Reasonable and Non-Discriminatory"-License (FRAND) can generally be derived from the policies of the respective standard-setting organizations (sub 2.1), whereas in cases of "*de facto*"-standards an obligation can only be derived from the general rules of antitrust law (sub 2.2).

2.1 Compulsory Licenses in Patent Law

A patent owner may not only use a patented technology himself, but also prevent anyone else from using it. Generally, it is well within his right to decide whom to grant or deny the use of his invention. A compulsory license replaces the right to exclude with a mere claim to "reasonable compensation". Such limitations are naturally subject to strict scrutiny – even though occasionally compulsory licenses were proposed as a solution to the inefficiencies of patent law.¹⁸ The discussion of compulsory licensing can be traced back a long time.¹⁹ Even recent economic literature remains surprisingly vague when it comes to the social benefit of these compulsory licenses.²⁰

Art. 5A (2) of the Paris Convention for the Protection of Industrial Property of 1883 expressly grants member states the right "*to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent*". The compulsory license provided for in sect. 24 of the German Patent Act however requires a **public** interest in granting the license. Such an interest may be assumed if the patentee does not sufficiently supply the patented invention to the German market.²¹ Alternatively, the licensee may also request a license to make use of a previous invention which must be a "significant technological progress of high economic relevance". In the latter case he must also grant the licensor a counter-license.

Claims for a compulsory license under that statutory rule must be brought before the German Federal Patent Court in Munich and cannot be raised as a defense in patent-infringement-cases. This is comparable to the defense of invalidity, which is also unavailable in a German infringement case, but subject to separate annulment-proceedings before the Patent Court (which in Europe is unique to Germany and Austria).²² The number of such proceedings is extremely low.²³

One may rightfully ask, whether there is any basis to apply antitrust law besides that specific rule on compulsory licenses.²⁴ However, antitrust law has a completely different goal: The idea of a compulsory license under patent law (as referred to under the Paris convention and sect. 24 of the German Patent Act) was designed to protect public *health and safety*. Granting compulsory

licenses on the basis of antitrust law on the other hand tries to enforce the general prohibition on abuse of market powers and thereby ensures the protection of *competition* in a free market.

2.2 “*De iure*”-Standards: Making *FRANDs*

The ill-named “*de iure*” standards are not determined by statutes or case law, but refer to requirements set out by industrial organizations.²⁵ Such standards are e.g. the MPEG-2 standard (set by the Moving Picture Experts Group (MPEG) formed by ISO),²⁶ or the GSM standard (set by the European Telecommunication Standards Institute – ETSI).²⁷ Similarly, the VESA local bus (set by the Video Electronics Standards Association) discussed in the FTC’s Dell decision²⁸ as well as the SDRAM standard (set by the Joint Electron Device Engineering Council/Solid State Technology Association) discussed in regards to Rambus²⁹ constitute “*de iure*” standards.

To avoid patent hold-ups, such standard-setting organizations generally impose two level of rules upon their members:³⁰

1. **Disclosure Rules** require the members to present any patents or patent applications as soon as possible during the standard-setting process.
2. **Licensing Rules** set certain limits on the level and structure of royalties. Some organizations might require a royalty-free license.³¹ A standard-setting organization will only have an option to choose an alternative, cheaper technology if the specific royalty-terms are known during standard-negotiations.³² Even then, negotiations can be tough due to strategic behavior with each firm trying to get its patents into the standard (and thus profit from subsequent royalty fees).³³

A significant problem of standard-setting organizations is the lack of enforcement powers. If an organization has sufficient market power, it may indeed force patent holders to participate in standard-setting.³⁴ However, this leads to a peculiar paradoxon: The beneficial effects of standardization by bargaining will only appear if standard-setting organizations possess sufficient market power, while such market power will give rise to antitrust law concerns.³⁵ Similarly, strong enforcement measures will probably call up antitrust-laws as well.³⁶ Insofar it is helpful that the European Commission expressly allows negotiation of royalty fees in standard-setting organizations.³⁷

While antitrust-concerns have even been raised against the requirement to disclose unpublished patent applications,³⁸ we should be more concerned of standard setting organizations essentially depriving members of the commercial value of their patents.³⁹ Most recently, for example, the requirement for royalty-free licenses has caused disagreement between Apple⁴⁰ and the W3C, resulting in a ‘call for prior art’ to prove a patent’s invalidity.⁴¹ Such concerns are at least partially alleviated by requiring essential patents to be made available under “Fair, Reasonable and Non-Discriminatory” (FRAND)⁴² or at least “Reasonable and Non-Discriminatory” (RAND) terms.

Two further issues of standard setting organizations shall only be mentioned briefly here:

First, due to the significant size of the market, participants will try to incorporate as many patents as possible into a standard. Including such non-essential patents in a standard will cause licensing

of unnecessary patents and thus cause severe market distortions. On that reasoning, the EC-Commission requested ETSI to clarify the disclosure duties imposed under Clause 4.1 of its IPR Policy to prevent the possibility of over-declaration.⁴³ Similarly, British Courts have entertained an “action for declaration of non-essentiality” to weed out patents not needed to create products compliant to a standard.⁴⁴

Second, a large group of cases deal with “unfaithful conduct” in standard-setting. This is exemplified by the investigations in the matters of Qualcomm Inc.⁴⁵ (who allegedly promised to license any patents used in the UMTS-standard adopted by 3GPP under FRAND-terms, but latter “forgot” about that promise) and Rambus.⁴⁶ These investigations are remarkable since the wrongdoing only lies in the creation of the standard – the well-known “patent ambush”.⁴⁷

To a US-lawyer the Dell-case (regarding the short-lived VESA-local bus, which was quickly superseded by Intel’s PCI-bus)⁴⁸ springs to mind: The FTC alleged that Dell claimed to have no patent rights involved during standard-setting, but asserted its patent-rights afterwards – causing Dell to settle by agreeing not to enforce the patent against companies employing the standard. Similar issues could have been discussed with regards to the Unisys patent on part of the GIF-standard. JEDEC (the standard-setting group for computer memory modules) was tricked twice: In *Wang v. Mitsubishi*⁴⁹ the Federal Circuit found that the Claimant by repeatedly stating that it was not going to patent a certain technology had granted an implied license to use the technology. Similarly, the FTC found Rambus guilty of monopolization for hiding their patent portfolio in JEDEC-standard-setting and constrained the royalties Rambus could claim.⁵⁰ However, the same reasoning did not work as a defense in prior private actions.⁵¹

Such cases are tough if not impossible to resolve by European antitrust law.⁵² The application of Article 82 on these cases by the EC Commission seems to be erratic, indeed their arguments regarding Rambus would be just as stringent had they focused exclusively on the royalty fees.⁵³ This does not imply that European law is unable to resolve these issues, though – but only that antitrust law is the wrong means. In fact, these cases are more appropriately covered by rules of “unfair competition”.⁵⁴ Indeed, they better belong to a group of cases involving the oft-criticized ‘patent trolls’.⁵⁵ A comparable example might be a case, where someone registered the trademark “Classe E” for cars, shortly before Daimler introduced the “E-Class” Mercedes and demanded significant payments for an *exclusive* license – and the court denied enforcement of trademark-rights based on a “bad faith”/“abuse of rights” rule.⁵⁶ In the US one might compare this approach to the (highly unspecific) “patent misuse” doctrine.

2.3 "De Facto"-Standards: Forced FRANDs

Whereas the aforementioned cases dealt with “official” standards, industrial norms may also evolve by other means. For example, the Association of German Chemical Enterprises [Verband der Chemischen Industrie e.V.] required its members to use barrels of certain specifications, which could factually only be provided if following a certain patent held by a third party (not involved in the process).⁵⁷ Similarly, a standard may simply be established through market forces (like the strong position of Microsoft’s operating systems and office productivity applications; or Intel processor technology).⁵⁸ Or it may be an agreement among significant market players at the exclusion of others.⁵⁹

In such cases an agreement to offer licenses under “FRAND”-conditions is usually absent. The patent-holder did not get directly involved in the process and therefore never had to agree to anything. Thus, there is a significant danger that licenses are denied or only granted on anti-competitive conditions. There are other possible cases where FRAND-agreements fail – for example if a patent is held by an entity not party to the standard setting organization⁶⁰ or when it is subsequently transferred to a new entity which is not bound by the earlier agreement. Similarly, omissions by the standard-setting organization may lead to failure to disclose patents or patent-applications in the standard-setting process.⁶¹

German (and European) antitrust law require licensing under FRAND-terms in the absence of an external standard-setting organization only in exceptional cases.⁶² First of all, the owner of an essential patent must have a dominant market position. This is only the case if (1) there are no alternative, competing "standards" and (2) there is no other patent holder competing for royalties from essential patents for the "standard" and (3) there is no danger of the standard quickly changing to employ different technologies.⁶³ The second condition effectively limits the royalties available - as the owners of essential patents effectively compete for shares of the royalties of standard-compliant products. The third condition effectively eliminates the dependency on the patent. It is also noteworthy that in cases, where a technology turns into a standard (i.e. a 'default') by market forces, any kind of compulsory licensing would directly limit the power of the patent rights. Thus, a very low standard has to be set regarding justification - anything even remotely comprehensible (including corporate policies) will be deemed sufficient.⁶⁴

When there is sufficient evidence of a dominant position in the relevant market, the patent owner must not discriminate against other market participants or abuse his power. Discrimination in essence means that the potential licensee can show that he is not treated like other licensees and the patent holder cannot show any reasonable justification. The caveat here is of course that the license-candidate has to prove the terms and conditions of other license-agreements in courts, which are not made public. Indeed even if such conditions are known, there might be good reasons for different treatment, especially in light of cross-licensing agreements or bundled licenses to multiple IP-rights. In practice, discrimination is most likely in cases of vertically-integrated firms who want their own downstream-operations to run cheaper than their competitors'.⁶⁵ Discrimination is not a helpful criterion if the patent-owner does not license at all or treats everyone similarly, but unfairly. Thus, 'reasonableness' applies as a secondary corrective measure.

3. Enforcing FRANDs

3.1 Options to raise the Claim

Even if the potential infringer has a claim to a compulsory license, there are multiple means to make use of that claim.

The easiest and most evident way would be to ask for intervention of the antitrust authorities. However, antitrust proceedings are however often slow and cumbersome. It is possible to start an action for a (preliminary) injunction against the patent owner.⁶⁶ Nevertheless, courts would be reluctant to grant such an injunction unless there is a showing of extremely significant dangers to

the interests. Such a claim will only be successful in very exceptional circumstances. Thus, hoping for a court to actively enforce the compulsory license will most likely come too late.

Therefore there are compelling reasons for a producer of goods complying to a standard to make “unlicensed” use of a patented method or product and bring up the claim to a compulsory license as a defense in patent infringement proceedings.

In 1939 the German Federal Supreme Court [Reichsgericht] held that application of a technical standard (even if it was designed with involvement of the patent owner) does not in itself provide a defense to patent infringement.⁶⁷ This general rule still applies insofar, as inclusion of a patent in a standard does not make it part of the public domain. Instead, a successful defense must be based on a claim to a compulsory license.

In case of a "*de iure*"-standard a right to a compulsory license could be based on the policies of the standard setting organization. However, such a contractual claim is unlikely to prevail at least in Germany.⁶⁸ First of all, the terms are too unspecific to be enforceable. Furthermore, the requirements for a binding contractual agreement are rather strict. Finally, in many cases privity of the contractual agreement might intervene: Non-members of the standard-setting-organization would not be party to the agreement and therefore could not base claims on it. Thus, a contractual claim would be an unlikely defense as well.⁶⁹

There has been some discussion whether a "patent ambush" could be raised as a defense of abuse of rights or unfair competition.⁷⁰ Comparable to the US-doctrine of patent-misuse it would make the patent unenforceable or at the very least mitigate damages.⁷¹ Often a company employing a "patent ambush" will also ask for "excessive" royalty fees. In those cases, Article 82 of the EC-treaty will apply and royalties will be reduced to a reasonable, lower amount.⁷² Application of unfair competition principles will therefore only remain necessary if the fees are reasonable and the only issue is that the standard could and would have been designed without employing the patented technology at all. To be successful, the infringer would probably have to prove that the patent owner acted in an illegal way or at least contrary to public policy and possibly in bad faith. Thus, the requirements would be high, though not impossible to meet.

The most likely defense is therefore be the use of the antitrust claim to a compulsory license as a defense in patent infringement proceedings, which will be the route discussed below.

3.2 Defense against Damage-Claim

Neither damages nor destruction of infringing goods can be claimed as long as there is a valid license agreement in place. However, a claim to a compulsory license is clearly not identical to a real license agreement - thus the relevance of such a claim can be rightfully questioned.

Since nullity of the patent and statutory compulsory licenses are not allowed as a defense in infringement proceedings,⁷³ there would have been some logic to limit the antitrust defense to the proper authorities (i.e. national competition authorities or the European commission). Thus, while a license would have constituted a valid defense, a claim to a license would not. Economically, it was feared, that the availability of a defense might reduce incentives to try and negotiate actual licenses. Indeed, the Superior Court in Duesseldorf saw infringement as illegal self-help even if it was seemingly justified by an antitrust-defense.

That all changed with the German Federal Supreme Court's "*Standard-Spundfass*"-decision in 2004.⁷⁴ On 21 December 1990 Claimant filed a patent on a certain type of barrel for chemicals. The Association of German Chemical Enterprises [Verband der Chemischen Industrie e.V.] had already decided to use the product described in the patent as a standard for all barrels. The Defendant produced barrels in violation of that patent until Claimant successfully sued for a preliminary injunction which both parties agreed to accept as final. However, Claimant provided royalty-free licenses to three companies and fee-based licenses to other companies, but denied a license to Defendant in 1996. The Federal Supreme Court only had to decide on a claim for damages, which Defendant denied due to a right to a (royalty-free) license. Both the Landgericht [District Court],⁷⁵ nor the Oberlandesgericht [Superior Court] granted the claim to damages. The Federal Supreme Court however disagreed: It distinguished the market for "barrels usable in the German chemical industry" from the market for licenses. While the monopoly in the latter market was indeed intended by patent law, the monopoly in the former market was based on the "standard" established by the association. Thus, the monopoly position in that market was subject to court review and any discrimination or other abuse of the position was prohibited. Nevertheless, there were insufficient facts to determine whether not granting a royalty-free license was indeed unreasonably discriminatory or otherwise abusive. The decision has been extensively interpreted and discussed by legal scholars.⁷⁶

Under German law, there is no punitive element to damages, specifically treble damages are unavailable. However, the patent owner has a choice to either ask for the infringer's profits, his own (properly estimated) losses or a reasonable license fee. If there is a valid claim to a compulsory license, the choice will be limited to claiming a license fee, which is the most commonly elected remedy anyway. The more interesting consequence of the decision is the limit imposed on the proper amount of such license payments.

3.3 Defense against injunctive Relief

While a compulsory license based on antitrust law was thus established against damage claims for past conduct, it remained unclear, whether the *mere claim* to a compulsory license also constituted a valid defense against (future) injunctive relief. The danger of essentially stripping a patent of the relevant economic rights applies even more clearly insofar: Allowing a *claim to a license* as a defense in essence means that anyone feeling 'mistreated' might simply ignore the patent and rely on the courts to work out proper terms. Thus, the whole idea of patent law would be turned on its head and injunctive relief might in essence be turned into a mere claim for 'reasonable license fees'. On the other hand, injunctive relief is undeniably a far more powerful instrument than damages in achieving market power:⁷⁷ By stopping the defendant from producing and selling products (and thus requiring a costly or even impossible redesign) the patent-holders negotiation-power increases sharply.⁷⁸

The district court [Landgericht] in Düsseldorf allowed a defense against injunctive relief,⁷⁹ even though the superior court [Oberlandesgericht] in Düsseldorf disagreed,⁸⁰ the district court in Mannheim⁸¹ denied the defense (though accepted a counterclaim).

However, the situation was clarified by the German Federal Supreme Court in a case dealing with the "Orange Book Standard". That standard provided for the design of read-/write storage media (especially compact discs) containing a separable track to control the sequence in which data is

read from and written to the media (thus allowing “multisession-recording” and avoiding the need for synchronization areas between areas used for the storage of information). Koninklijke Philips Electronics N.V. (Philips) held a patent necessary for implementation of the standard. Thus, any company required a license by Philips to sell “standard-compliant” media. In 2001 Philips sued several producers and distributors of Compact Disc Media (namely Master & More, SK Kassetten, Global Digital Disks) for damages and for injunctive relief. They were successful before both the Landgericht [District Court] in Mannheim as well as the Oberlandesgericht [Superior Court] in Karlsruhe.⁸²

The Federal Supreme Court allowed the use of a claim to a license as a defense on the basis of the general rule on “good faith and fair dealing” (sect. 242 of the German Civil Code). Under that rule it is unreasonable to request something which must be immediately undone.⁸³ Thus, asking for injunctive relief when one is *simultaneously* required to form a license agreement would be contradictory behavior and thus form an invalid claim.

Yet in the instant case, the Federal Supreme Court denied a claim to a compulsory license. While the patent was necessary to implement an industry standard it was considered “essential” for a different (secondary) market, in this case CD-media. Philips therefore held a dominant position not only in the primary market for licensing the patent, but also in the secondary market for the (legal) production of CD-media.

However, the refusal to grant a license constituted neither unreasonable discriminates nor abuse. The terms proposed by the infringers in the instant case were significantly worse than those employed in agreements with other licensees. Thus, there was no obligation to form an agreement under the proposed terms and no valid defense.

Indeed, there seems to be only a single case where a claim to a compulsory defense was successfully raised. In a decision dealing with patents necessary for implementation of the GSM-cellphone-standard⁸⁴ the Duesseldorf District Court held that a patent owner who subjected himself to the ETSI policy (which requires FRAND-licensing) violates antitrust-law in requesting a royalty-free counter-license to all patents held by the licensee. Furthermore, while the patent owner only held 3% of the patents essential to the implementation of the GSM-standard, it was required to provide for a cap to its royalty fees. Specifically, even though no other patent owner had requested royalty payments, the patent owner was precluded from asking for more than his reasonable share of the potential total royalties.

3.2 Good Faith-Requirement

As mentioned before there is a significant risk in allowing antitrust law as a direct defense in patent infringement proceedings.⁸⁵ This risk was seen by the Supreme Court in the aforementioned "Orange Book Standard"-case⁸⁶, which provided a remedy by means of an additional good-faith-requirement:

1. The defense will only be considered when a valid offer to form an agreement was made.
2. In addition, the defendant must show that he fully complied to the potential agreement.

The requirement has significant consequences e.g. on the destruction of infringing products (sect. 140a of the German Patent Act): Any goods produced before a valid offer infringe the patent and must be destroyed without any valid defense, whereas goods produced after that offer will be considered legal.

The approach is based on the economics of a contract: One may not reap the benefits, without also performing one's duties. Should a patent-holder in a specific market controlling position (specifically patents which are part of official or factual industry-standards) refuse FRAND-licensing, a good-faith party will certainly be willing to deposit a 'reasonable' amount with a court. Furthermore, it eliminates a dangerous incentive to simply infringe upon a patent and rely on terms to be determined by courts in later proceedings. Bad faith infringers will remain subject to the full spectrum of patent law sanctions and cannot simply rely on an alleged abuse by the patent owner. Thus, incentives and disincentives are well-balanced.

The relevance of these requirements also appeared in a number of cases of the Landgericht [District Court] in Düsseldorf dealing with infringement of patents necessary to implement MPEG-2-video-compression.⁸⁷ Implementation of the MPEG-2 standard used for video compression especially on DVDs requires a license to numerous patents, most of which are part of the "MPEG LA" Patent Pool. The defendant manufactured and distributed DVDs but believed it possible to do so without licensing the full number of patents. Thus, it alleged that some patents declared 'essential' were indeed superfluous. However, there was no evidence that all defendants (which were part of a corporate group) made specific offers for licenses to the truly "*essential*" patents. Since there was a good reason to treat all members of the corporate group alike, the court saw no violation of antitrust law. The mere offer to license a pool of patents is not discriminatory or abusive per se.

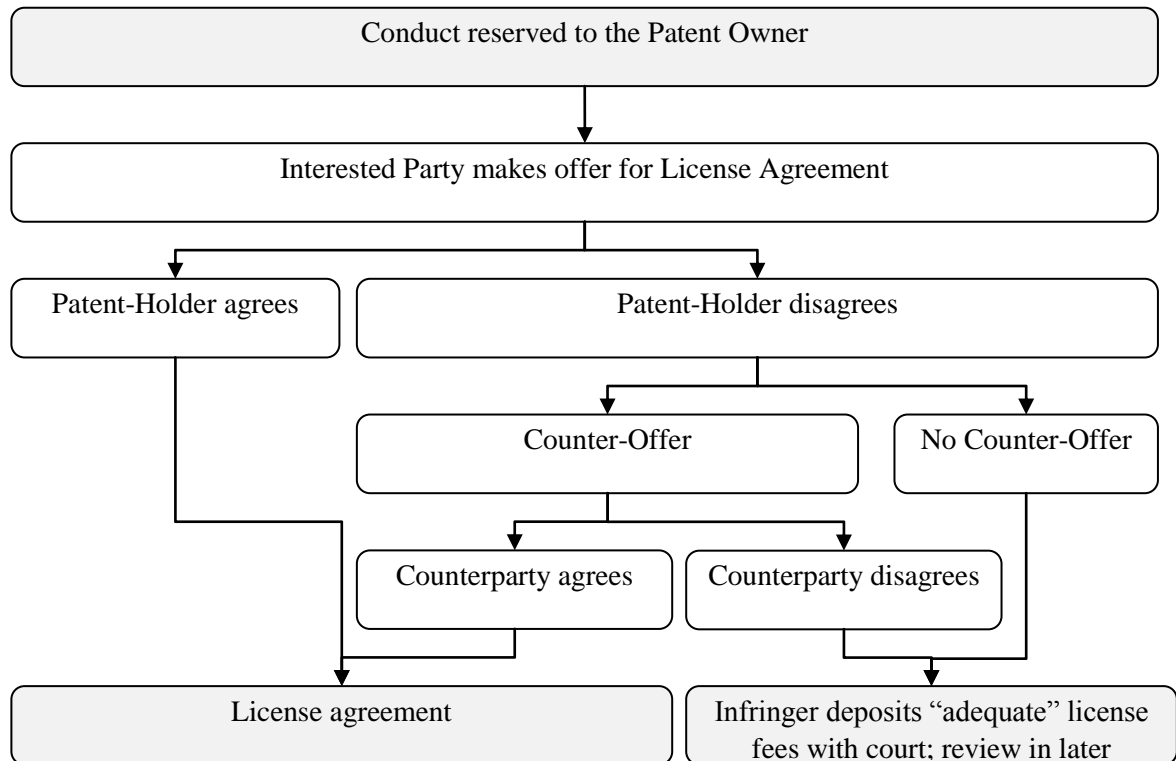
3.2.1 Potential License Agreement

The Federal Supreme Court held that the mere declaration to offer reasonable licenses in a standard-setting organization does not require a patent-owner to make specific offers to any interested third-party. Instead, the potential licensee has to ask for a license agreement subject to three cumulative requirements:

1. His offer must be serious and unconditional. This is not the case if it is e.g. limited to situations where a court actually finds the product infringing or if it is subjected to the validity of the patent.⁸⁸
2. The applicant must be able and willing to perform its duties.
3. Finally, the terms must be 'acceptable' to the patent-holder, i.e. they must be reasonable. However, the applicant is not allowed to offer to accept any license 'under reasonable conditions' but must make a specific proposal. This is certainly the weak point of this approach – because determining reasonableness *ex ante* is close to impossible.⁸⁹ It is also noteworthy that of course the offer must be limited to those patents subject to antitrust-law, i.e. the 'standard-essential' patents.⁹⁰

Subsequently the patent-holder is free to agree (leading to a valid license agreement) or disagree. As outlined above, an obligation to agree to a "reasonable" license-agreement can be derived

either from the declaration given to the standard-setting-organization (in case of a *de iure*-Standard) or directly from antitrust law (in case of a *de facto*-Standard). Yet, determining the



conditions of the specific agreement is not exclusively up to the potential infringer - thus allowing the patent-holder to make a counter-offer. This counter-offer may be accepted by the potential licensee (leading to an actual agreement) or denied.

3.2.2 Anticipatory performance

Furthermore, the infringer must comply to the terms of the potential agreement. Specifically, he must ensure that license-payments are made. If the patent owner refuses such payments, the amount may be irrevocably (!) deposited at the local court (sections 372, 374 of the German Civil Code).

In general, the patent owner may determine royalty fees for his patent. Therefore, the potential licensor must deposit any amount asked for. However, if no amount is mentioned or the requested amount is indisputably and grossly excessive (e.g. 100% of the profits), the potential licensee must deposit an amount which is "certainly" reasonable. This is derived from section 315 of the German Civil Code [BGB]. Under that rule, the patent-holder may only ask for a 'reasonable amount'. Thus, excessive fees will be replaced by a reasonable sum. Still, the risk of determining the amount initially lies with the potential licensee. Insofar, existing agreements may be used as a reference frame.

3.3 Review of Royalty Fees

3.3.1 Court review procedures

Since the actual royalty fees will often not be determined by an agreement, the review procedure remains an issue. The infringement court has to determine whether the amount offered (and deposited) by the potential infringer was 'reasonable'. If it was insufficient, the court will rule in favor of the patent owner.

The reverse issue, where the potential licensee deposited an excessive amount is not as simple. The proper amount will generally not be determined in infringement proceedings, as it is not relevant to the issue (though it may be brought up as a potential counter-claim). However, in a suit based on unjust enrichment (sects. 812 et seq. of the German Civil Code [BGB]) any payment not required under the (potential) contract has to be returned. Similarly, if the patent is declared invalid or the potential licensee is found not to be infringing, the (potential) license agreement may be terminated and paid royalties may be redeemed.

3.3.3 Determining “reasonableness”

The question **what amount is reasonable and non-discriminatory** has recently come into focus of the European Commission.

Article 82 (a) EC-Treaty expressly prohibits dominant firms from imposing “unfair purchase or selling prices or other unfair trading conditions”. Thus, the Commission imposed a fine of € 899,000,000 on Microsoft as the requested royalty rate of 3.87 % of a licensee’s product revenues for a patent license were deemed to be non-compliant to the requirement to license such rights to downstream competitors under “reasonable and non-discriminatory terms”.⁹¹ Whether that claim was justified will never be known as Microsoft gave in and agreed to provide a license giving access to the interoperability information for a flat fee of € 10,000 and an optional worldwide patent license for a reduced royalty rate of 0.4% of licensees’ product revenues.

Similar objection of “unreasonable” royalties were brought up against Rambus (as a consequence of the aforementioned patent ambush)⁹² and Qualcomm.⁹³ While in the US pricing as such is not subject to judicial review as such,⁹⁴ the discussion has merely shifted to the proper sanctions of “unlawful exclusionary conduct”.⁹⁵

3.3.3 The proper amount

One may assume that it should be possible to determine the total (!) value of a patent and merely divide this amount among all potential licensees. This simple approach will fail in almost all cases, though:

First of all, a patent is usually not made part of a standard because there are no alternatives. Indeed, the “unfair” benefit of the patent owner (which goes beyond what he may achieve by regular licensing) is derived from the exclusion of other useful technologies and therefore at the cost of competitors. For example, if there was a choice of transmitting television signals by wireless frequencies or by cables and an organization (or state government) would choose one of the technologies, the other (valid) choice would quickly disappear from the market. This is what happened to competing formats for storing HD movies (e.g. the HD DVD), but also persistently

happens in the wireless phone sector (where certain compression schemes are chosen whereas others are ignored). The total amount of license revenue should therefore exceed the value the patent would have had under full competition: As competition is artificially eliminated gains will be achieved at the cost of the owners of patents not incorporated into the standard.

On the other hand in the (rare) case where no competing technology exists (i.e. where the standard has to incorporate the patent to make the products work - without any alternatives) the mere standardization will again increase the patent value – as future research and development into alternative technologies will at least be less worthwhile. These cost-savings should again be incorporated into the standard.

Finally, most often one technology will be chosen in favor of another because it is “better”. However, in a non-standardized market, both technologies might have found “some” users and thus brought their users “some” profits. In a standardized market, the better products takes the complete market (or in case of non-mandatory standards usually a major share), whereas the worse products fail completely. Even in this case the owner of the “winning” patent earns more than an objective evaluation of the invention would have determined.

All in all, standardization changes the rules of the patent race: Not only does the winner (in terms of “first to invent” or “first to file”) take it all, but the person who gets his patent into the standard. His “excessive” profits are not only derived from “pressure” on customers dependent on using the technology, but also from exclusion of the competing patents. Thus, standardization might turn out to be a windfall profit for the customers if license fees were determined solely based on the “objective” value of the patent – they would save money by the mere increase of demand (and thus spreading of costs), which is *not* the idea of a standard. On the other hand, the developers of competing technologies will be unable to get any returns from their (proper) research and development – thus in essence “paying” for the aforementioned costs savings.

Similarly, it seems strange to determine the proper amount by the “relevance” or “role” of a certain patent in a standard. If a patent is determined “essential” for the implementation of the standard, no conforming product can be designed “but for” a license to that patent. So at least without any other agreement *ex ante* each patent should be treated equally at least if it is licensed only to comply to a standard. Even if there would have been a million different solutions to the problem tackled by the standard, the implemented solution is “the” solution.

All in all, there seems to be no “objective” means to determine a proper amount. Equal treatment might be a good approach to a certain extent⁹⁶ - but there is no viable solution if everybody is treated badly (but for declaring the patent void or simply choosing a different standard). A standard which remains non-implementable due to excessive fees will however not be adopted by the market and should not pose any significant challenges.

3.3.3 Royalty stacking

Finally, there is the issue of “royalty stacking” or the “cumulative royalty burden”.⁹⁷ This is the other side of the oft-criticized “patent thicket”.⁹⁸ This must be resolved in the licensing agreement, e.g. by an “escape clause” allowing for a reduction of royalties based on an excessive cumulative rate including other necessary licenses.

4. Summary

Standards incorporating patents expand the monopoly granted by patent law to a new secondary market for 'standardized products'. Insofar, a patent owner may be limited in the exercise of his rights. This applies to both '*de iure*' and '*de facto*' standards.

Under German law there is no general obligation of a dominant patent-holder to offer licenses to any interested parties. However, if someone makes an appropriate offer, the patent-holder has no choice but to agree. If the patent-holder does indeed agree, a valid license agreement is formed and neither injunctive relief nor damages are available.

The potential patent infringer is faced with a tough choice: He may accept any counter-offer by the patentee, or allege that a counteroffer is abusive or discriminatory. In the latter case he has to deposit (section 372 first sentence of the German Civil Code) an amount he considers appropriate with a court while waiving his right to have that money returned. The patent owner may immediately access the money.

A potential license agreement will work like an actual license agreements as long as the terms, especially the royalties deposited, appear within reason (usually at the upper margin of the patent owner's usual licensing practice). Thus, neither damages nor an injunction will be available.

The question whether the agreed-upon or deposited amount was indeed fair, reasonable and non-discriminatory is subject to later review. If the paid or deposited amount was too high, the licensor may demand restitution of the overpaid amount. If there was no patent infringement at all, he may indeed request that all payments are returned.

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² See *EC Commission*, Communication on Standardization and the Global Information Society: The European Approach, COM (96) 359; *EC Commission*, Communication on Intellectual Property Rights and Standardization, COM (92) 445; *EC Commission*, Green Paper on the development of European standardisation: action for faster technological integration in Europe, COM(90) 456, October 1990.

³ E.g. the standards for video-cassettes, CD-media and DVD, power plugs, paper sizes, television broadcast signals; but also standards on telecommunication, computer file formats, etc.

⁴ Cf. *Kroes*, Speech /08/317 of 7 June 2008 – Being open about standards.

⁵ *Lemley*, Intellectual Property Rights and Standard-Setting Organizations, 90 Cal. L. Rev. 1889, 1893 (2002).

⁶ *Shapiro*, Setting Compatibility Standards: Cooperation or Collusion?, in *Expanding The Boundaries Of Intellectual Property* (Rochelle Dreyfuss et al. eds., 2001), pp. 91–93.

⁷ *Lemley/Shapiro*, Patent Holdup and Royalty Stacking, (2007) 85 Texas Law Review, 1989.

⁸ *Lemley*, Ten Things to do about Patent Holdups of Standards (and one not to), 48 Boston College Law Review (2005), 149, 150.

⁹ *Schöler*, Patents and Standards: The Antitrust Objection as a Defense in Patent Infringement Proceedings in: *Prinz zu Waldeck und Pyrmont, Adelman, Brauneis, Drexl, Nack et al. Patents and Technological Progress in a Globalized World* (Heidelberg 2009), pp. 177 et seq.

¹⁰ *Pitofsky*, Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property, 68 Antitrust L.J. 913, 917 (2001).

¹¹ Joined cases C-241/91 P and C-242/91 P - RTE and ITP v. Commission ('Magill'), 1995 ECR I-743 para 50; Case C-418/01 - *IMS Health GmbH & Co. OHG v NDC Health GmbH & Co. KG*, 2004 ECR I-5039 paras 35 and 52; see also Commission Decision of 24 March 2004 (Case COMP/C-3/37.792 Microsoft), C(2004)900 final and Case T-201/04, *Microsoft v. European Commission*, [2005] ECR II-1491; cf. *Kort*, Intellectual Property and Article 82 EC in: Patents and Technological Progress in a Globalized World [Fn. 2], pp. 157 et seq.

¹² For a superior two-prong-test see Leistner, Intellectual Property and Competition law: The European Development from Magill to IMS Health compared to recent German and US Case Law, ZWeR 2005, pp. 138, 150 et seq.

¹³ *Dumont/Holmes*, The Scope of Intellectual Property Rights and Their Interface with Competition law and Policy: Divergent Paths to The Same Goal?, 11 Econ. Innov. New. Tech. 149, 151 (2002).

¹⁴ E.g. Article 10, 11, 13 of Directive 2004/48/EC Of The European Parliament And Of The Council of 29 April 2004 On The Enforcement Of Intellectual Property Rights [OJ L 157 of 30 April 2004, corrected in OJ L 195/16 of 2 June 2004]; sect. 139, 140a German Patent Act [PatG]; Sect. 283, 284 US Patent Act [35 USCS Sects. 1 – 376]; see also Art. 28 TRIPS.

¹⁵ *Heinemann*, GRUR 2008, 949 (952).

¹⁶ E.g. Article 82 of the EC-Treaty, sect. 19, 20 of the German Law against Restrictions on Competition [GWB], Sect. 2 Sherman Act.

¹⁷ *Beier*, Ausschließlichkeit, gesetzliche Lizenzen und Zwangslizenzen im Patent- und Musterrecht, 1998 GRUR 185, 195.

¹⁸ Cf. Adelman, Property Rights Theory and Patent-Antitrust: The Role of Compulsory Licensing, 52 N.Y.U. L. Rev. 77 (1977), reprinted at 10 Intellectual Property L. Rev. 77 and 8 J. of Reprints for Antitrust L. and Econ. 287.

¹⁹ *Ladas*, The International Protection of Industrial Property, Cambridge 1930; *Federico*, Compulsory Licensing in other Countries in Law and Contemporary Problems, The Patent System, part 2 (Durham 1948), p. 295; R. Reik, Compulsory Licensing of Patents, American Economic Review, 36 (1946), 811; *Penrose*, The Economics of the International Patent System (Baltimore 1951).

²⁰ *Schankermann/Scotchmer*, RAND, 32 Journal of Economics 199 (2001); *Scotchmer*, Innovation and Incentives, 2004, pp. 206 et seq.

²¹ A similar amendment was discussed with regard to the US Patent Act of 1790, whereby the Supreme Court would have been enabled to enforce licenses or set prices in order to fully supply the American public with the patented good or procedure, cf. *Penrose*, A.J.C.L. 2 (1953), 445.

²² See *Mes*, Reflections on the German Patent Litigation System in: Patents and Technological Progress in a Globalized World [Fn. 2], p. 401, 405 et seq.

²³ 12 Proceedings from 1961 to 2003, none of which were successful (though this was different in the past - from 1923 till 1943 there were 295 proceedings, of which 23 were successful), cf. Buhrow/Nordemann, AIPPI-Report Q187 on Limitations on exclusive IP Rights by competition law in the name of the German Group available at https://www.aippi.org/download/comitees/187/GR187germany_english.pdf, German version in GRUR Int 2005, 407, 409.

²⁴ Indeed that question has been brought up as early as the 1930s, see H. Isay, Patentgesetz, 6. ed., Berlin 1932 S. 417.

²⁵ Though of course certain standards may be made obligatory by state authorities, especially through statutes.

²⁶ Landgericht [District Court] Düsseldorf, November 30, 2006, 4b O 508/05 – Videosignal-Codierung I.

²⁷ Landgericht [District Court] Düsseldorf, February 13, 2007, 4a O 124/05 - Zeitlagenmultiplexverfahren.

²⁸ *Dell Computer Corp.*, 121 FTC 616 (1996).

²⁹ In the Matter of *Rambus Inc.*, FTC Opinion of July 31, 2006, Docket No. 9302.

³⁰ See *Chiao/Lerner/Tirole*, The Rules of Standard Setting Organizations: An Empirical Analysis, 38 RAND J. ECON. 905 (2008)

³¹ Cf. W3C Patent Policy of 5 February 2004: "As a condition of participating in a Working Group, each participant (W3C Members, W3C Team members, invited experts, and members of the public) shall

agree to make available under W3C RF licensing requirements any Essential Claims related to the work of that particular Working Group.” [3.1]; “W3C Royalty-Free (RF) Licensing Requirements” [5]; see also Section 11 of the GNU General Public License Version 3 of 29 June 2007: “Each contributor grants you a non-exclusive, worldwide, royalty-free patent license under the contributor's essential patent claims, to make, use, sell, offer for sale, import and otherwise run, modify and propagate the contents of its contributor version.”

³² *Lichtman*, Patent Holdouts in the Standard-Setting Process, University of Chicago, Law and Economics Olin Working Paper No. 292, 2006; *Swanson/Baumol*, Reasonable and Nondiscriminatory (RAND) Royalties, Standards Selection, and Control of Market Power, 73 *Antitrust L.J.* 1 (2005).

³³ *Bekkers/Liotard*, European Standards for Mobile Communications: The Tense Relationship between Standards and Intellectual Property Rights, *Eur. Int. Prop. Rev.* 1999, 110; Brian DeLacey et al., *Strategic Behavior in Standard-Setting Organizations* (2006), available online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=903214.

³⁴ *Lemley*, *Intellectual Property Rights and Standard-Setting Organizations*, 90 *Cal. L. Rev.* 1889, 1904 et seq. and 1943 et seq. (2002).

³⁵ *Lemley*, *Intellectual Property Rights and Standard-Setting Organizations*, 90 *Cal. L. Rev.* 1889, 1904 et seq. and 1943 et seq. (2002).

³⁶ *Lemley*, Ten Things to do about Patent Holdups of Standards (and one not to), 48 *Boston College Law Review* 48 (), 149, 161.

³⁷ Commission Notice, Guidelines on the Application of Article 81 of the EC Treaty to Technology Transfer Agreements, para. 225, 2004 O.J. (C 101) 2, available at http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/c_101/c_10120040427en00020042.pdf

³⁸ *Teecce/Sherry*, Standards Setting and Antitrust, 87 *Minn. L. Rev.* 1913 (2003).

³⁹ See also *Rey/Salant*, Abuse of Dominance and Licensing of Intellectual Property, MPRA Paper No. 9454 (2008), online at <http://mpra.ub.uni-muenchen.de/9454/> at page 39 for the risk of possible “over-production”.

⁴⁰ Cf. <http://www.apple.com/about/w3c/>.

⁴¹ Cf. <http://www.w3.org/2009/03/widgets-pag/cfpa.html>.

⁴² Cf. eg. Section 6.1 of the ETSI IPR rules.

⁴³ Commission, ex officio case COMP/C-3/37926; Commission (IP/05/1565), <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/05/1565&type=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁴ *Nokia Corporation v InterDigital Technology Corporation*, 2007 EWHC 3077 (pat), December 21, 2007.

⁴⁵ See Commission Memo/07/389; see also *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 305–06, 323 (3d Cir. 2007).

⁴⁶ See Report of the EC Commission on Competition Policy 2007, COM (2008) p. 368, para. 304 et seq.

⁴⁷ ABA Section Of Antitrust Law, *Handbook On The Antitrust Aspects Of Standards-Setting* (2004), pp. 60-64 .

⁴⁸ *Dell Computer Corp.*, 121 F.T.C. 616, 618 (1996) (Complaint, Decision, and Order).

⁴⁹ *Wang Labs., Inc. v. Mitsubishi Elecs. Am. Inc.*, 103 F.3d 1571, 1582 (Fed. Cir. 1997).

⁵⁰ Opinion of the Commission on Remedy § III.C, *Rambus Inc.*, FTC Docket No. 9302 (Feb. 5, 2007)

⁵¹ In *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081 (Fed. Cir. 2003) the Federal Circuit held that Rambus had no duty to disclose and thus did not commit fraud.

⁵² Article 82 EC-Treaty and sects. 19, 20 of the German Law against Restraints of Competition [GWB] only cover the abuse of a monopoly - but do not prohibit "monopolization" like the Sherman Act; while the FTC is also able to deal with "unfair competition" (15 USC § 45 (2)) neither the European Commission nor the German antitrust authorities have that power.

⁵³ See infra *; cf *Brenning*, Competition & Intellectual Property Policy implications of late or no IPR disclosure in collective standard-setting, *Rede v.* 17. 6. 2002 (http://ec.europa.eu/competition/speeches/text/sp2002_037_en.pdf).

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- ⁵⁴ For a detailed analysis cf. *Drexl*, Deceptive Conduct in the Patent World in: Patents and Technological Progress in a Globalized World [Fn. 2], pp. 137, 144 et seq.
- ⁵⁵ An ambiguous term, whose traditional reading would e.g. also cover university research centers, who are unlikely to go into production themselves; on the history and reality of "patent trolls" see *Meibom/Nack*, Patents without Injunctions? - Trolls, Hold-ups, Ambushes and Other Patent Warfare, in: Patents and Technological Progress in a Globalized World [Fn. 2], p. 192.
- ⁵⁶ Bundesgerichtshof [German Federal Supreme Court], GRUR 2001, 242 - Classe E.
- ⁵⁷ Bundesgerichtshof [German Federal Supreme Court], July 13, 2004, KZR 40/02, 36 IIC 742 (2005) - indeed the patent owner was involved in the standard-setting-process, however the court expressly stated that it is irrelevant whether the patent owner was involved, initiated or even agreed to the standard - it is sufficient that the standard benefits him.
- ⁵⁸ See *Margolis*, Winners, Losers & Microsoft: Competition and Antitrust in High Technology, Independent Institute (1999).
- ⁵⁹ E.g. the early Audio-CD-Media were standardized by Philips and Sony; whereas the "White Book" (Video CD) standard was determined by Sony, Philips, Matsushita, and JVC; similarly, the Blu Ray was initially determined by a Blu-ray founder group of 9 companies and only "opened up" as a Blu-Ray Disc Association in 2004.
- ⁶⁰ Indeed, Rambus was advised to leave JEDEC in light of the FTC-action against Dell.
- ⁶¹ *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081 (Fed. Cir. 2003).
- ⁶² Abuse under Article 82 EC: Fundamental issues and standards cases in *Baudenbacher*, Neueste Entwicklungen im europäischen und internationalen Kartellrecht: (Helbing Lichtenhahn 2007), pp. 95 ff; *Glader/Larsen*, Article 82: Excessive pricing – An outline of the legal principles relating to excessive pricing and their future application in the field of IP rights and industry standards, Competition Law Insight, 4 July 2005, p. 3.
- ⁶³ *Geradin*, Pricing Abuses by Essential Patent Holders in a Standard-Setting Context: A View from Europe (July 2008), available online <http://ssrn.com/abstract=1174922> at page 7 et seq.; but see also *Glader/Larsen*, Article 82: Excessive pricing – An outline of the legal principles relating to excessive pricing and their future application in the field of IP rights and industry standards", Competition Law Insight, 4 July 2005, p. 3.
- ⁶⁴ This is the direct application of the ECJ's IMS-Health doctrine; see e.g. Landgericht [District Court] Düsseldorf of 5 July 2007, 4b O 289/06 - White LED and of 17 April 2007, 4b O 287/06.
- ⁶⁵ *Geradin*, Pricing Abuses by Essential Patent Holders in a Standard-Setting Context: A View from Europe (July 2008). available online <http://ssrn.com/abstract=1174922> at page 10.
- ⁶⁶ *Schöler*, Patents and Standards: The Antitrust Objection as a Defense in Patent Infringement Proceedings in: Patents and Technological Progress in a Globalized World [Fn. 2], p. 192.
- ⁶⁷ Reichsgericht [Federal Supreme Court], RGZ 161, 385.
- ⁶⁸ See Bundesgerichtshof [German Federal Supreme Court] of 13 July 2004, KZR 40/02, 36 IIC 742 (2005) - Standard-Spundfass at A II; Though the situation is supposedly different in France, where ETSI has its seat, see opening brief in *Nokia v. Qualcomm (Del)*, available at [http://www.nokia.com/NOKIA_COM_1/Press/Legal_News_\(IPR_news\)/IPR_News/Latest_News/Redacted-Public_Nokia_Opening_Pretial_Brief.pdf](http://www.nokia.com/NOKIA_COM_1/Press/Legal_News_(IPR_news)/IPR_News/Latest_News/Redacted-Public_Nokia_Opening_Pretial_Brief.pdf), page 42 et seq: Both Qualcomm and Nokia have made binding contractual commitments under this ETSI IPR policy. These FRAND undertakings under Rule 6.1 are binding, enforceable commitments to implement the ETSI standards subject only to the obligation to pay FRAND compensation for any valid patents that are actually infringed by implementing the standard, and free from the possibility of injunctions." in reference to the earlier (settled) conflict between Qualcomm and Ericsson.
- ⁶⁹ *Schöler*, Patents and Standards: The Antitrust Objection as a Defense in Patent Infringement Proceedings in: Patents and Technological Progress in a Globalized World [Fn. 2], p. 192.
- ⁷⁰ see supra *.
- ⁷¹ See *Dolmans*, 26 Fordham Int'l L.J. 163, 187 (2002).
- ⁷² See the investigation of the EC commission into Qualcomm and Rambus.
- ⁷³ supra *
- ⁷⁴ Bundesgerichtshof [German Federal Supreme Court] of July 13, 2004, KZR 40/02, 36 IIC 742 (2005) - Standard-Spundfass.

⁷⁵ Düsseldorfer Entscheidung Nr.: 47; <http://www.duesseldorf-archiv.de/?q=node/213>.
⁷⁶ *Drexl*, 35 IIC 788 et seq. (2004); *Heinemann*, 36 IIC 63 et seq. (2005).
⁷⁷ *Lemley/Shapiro*, Patent Holdup and Royalty Stacking, 85 Tex. L. Rev. 1991 (2007).
⁷⁸ *eBay Inc. v. MercExchange, LLC*, 126 S.Ct. 1837, 1839 (U.S. 2006); for an economic explanation see *Denicolò/Geradin/Farrar/Padilla*, Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-Practicing Patent Holders, available online: <http://ssrn.com/abstract=1019611> at pp. 8-10.
⁷⁹ Landgericht [District Court] Düsseldorf, InstGE 7, 70 – Videosignal-Codierung I.
⁸⁰ Oberlandesgericht [Superior Court] Düsseldorf, InstGE 2, 168 – Spundfass.
⁸¹ Landgericht [District Court] Mannheim 7 O 287/02.
⁸² Oberlandesgericht [Superior Court] Karlsruhe of 13 December 2006, 6 U 174/02.
⁸³ "Dolo agit, qui petit, quod statim redditurus est".
⁸⁴ Landgericht [District Court] Düsseldorf of 13 February 2007, 4a O 124/05 - BeckRS 2008 007732.
⁸⁵ On the effects of limitations to injunctive relief in patent law see *Denicolò/Geradin/Farrar/Padilla*, Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-Practicing Patent Holders, available online: <http://ssrn.com/abstract=1019611> passim.
⁸⁶ supra *.
⁸⁷ Landgericht [District Court] Düsseldorf of 30 November 2006 - 4b O 346/05, GRUR-RR 2007, 181 - MPEG-Standard; Landgericht [District Court] Düsseldorf of 17 April 2007 - 4b O 287/06, BeckRS 2007, 15905.
⁸⁸ Compare *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (U.S., 2007) where the US Supreme Court held that a licensee may challenge a patent's validity and simultaneously rely on a license agreement.
⁸⁹ But see *Salant*, Formulas for fair, reasonable and non-discriminatory royalty determination, MPRA Paper No. 8569 (2008), online at <http://mpa.ub.uni-muenchen.de/8569/>.
⁹⁰ Cf. District Court [Landgericht] Mannheim of 27 February 2009 - 7 O 94/08, NJOZ 2009, 1458.
⁹¹ IP/07/269, "Commission warns Microsoft of further penalties over unreasonable pricing as interoperability information lacks significant innovation", 1 March 2007.
⁹² See Memo/07/330, "Commission confirms sending a Statement of Objections to Rambus", 23 August 2007.
⁹³ See Memo/07/389, "Commission initiates formal proceedings against Qualcomm", 1 October 2007.
⁹⁴ *Verizon Communications, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 682 (2004): "The mere possession of monopoly power, and the concomitant charging of monopoly prices, is not only not unlawful; it is an important element of the free-market system".
⁹⁵ In the Matter of Rambus, Inc., Docket No. 9302.
⁹⁶ Cf. Adelman, Property Rights Theory and Patent-Antitrust: The Role of Compulsory Licensing, 52 N.Y.U. L. Rev. 77 (1977), reprinted at 10 Intellectual Property L. Rev. 77 and 8 J. of Reprints for Antitrust L. and Econ. 287.
⁹⁷ *Lemley*, Ten Things to do about Patent Holdups of Standards (and one not to), 48 Boston College Law Review 48 (), 149, 150 gives a simple mathematical example: A typical Intel computer processor is subject to 5,000 patents. If one patent-holder asks for 1 % of the profits, that would be "reasonable" – but if 5,000 patent holders ask for 1% each, Intel would run a loss of 4,900 % with each processor sold; see also *Lemley/Shapiro*, Patent Holdup and Royalty Stacking, 85 Tex. L. Rev. 1991 (2007) show that the claimed "essential patents" used for the 3G-wireless protocol would have required a royalty rate of 130%.
⁹⁸ See *Rey/Salant*, Abuse of Dominance and Licensing of Intellectual Property, MPRA Paper No. 9454 (2008), online at <http://mpa.ub.uni-muenchen.de/9454/> at page 4; *Lichtman*, Patent Holdouts in the Standard-Setting Process, Academic Advisory Council Bulletin, 1.3, May 2006.