



According to Advocate General Wathelet, the proprietor of a standard-essential patent may be required, before seeking an injunction against a company that has infringed that patent, to make that company a specific licensing offer

That applies where the proprietor of the patent is in a dominant position and has made a commitment to the standards body to grant third parties a licence on fair, reasonable and non-discriminatory terms and where the infringer is ready, willing and able to enter into such a licensing agreement

Huawei, a Chinese telecommunications company, holds a European patent regarded as 'essential' to the 'Long Term Evolution' (LTE) standard developed by the European Telecommunications Standards Institute (ETSI). The LTE standard relates to next generation — that is to say, fourth generation — mobile phone communications. Anyone complying with the standard inevitably uses the patent owned by Huawei, which is why that patent is categorised as 'essential'. Huawei is a member of ETSI and notified the patent to that institute. Huawei also made a commitment to ETSI to grant licences to third parties on fair, reasonable and non-discriminatory (FRAND) terms.

Among the products marketed in Germany by ZTE, a group of Chinese companies, are base stations with LTE software and ZTE is therefore unavoidably making use of Huawei's patent. Since discussions between Huawei and ZTE regarding the possibility of concluding a licensing agreement on FRAND terms were unsuccessful, Huawei brought an action for infringement against ZTE before the Landgericht Düsseldorf (Düsseldorf Regional Court, Germany). By that action, Huawei seeks an injunction prohibiting continuation of the infringement, an order for the rendering of accounts, recall of products and damages. According to ZTE, the action for a prohibitory injunction constitutes an abuse of a dominant position, since ZTE is willing to negotiate a licence.

The German court has referred a number of questions to the Court of Justice. It is seeking to ascertain whether — and, if so, in what circumstances — an action for infringement brought by the holder of a patent which is 'essential to a standard developed by a standards body' (standard-essential patent (SEP)) against a manufacturer of products which comply with that standard constitutes an abuse of a dominant position for the purposes of EU competition law where the patent holder has made a commitment to grant licences on FRAND terms.¹

In today's Opinion, Advocate General Melchior Wathelet first notes that the Landgericht Düsseldorf has proceeded on the assumption that Huawei holds a dominant position. However, the Advocate General points out that the fact that a company owns an SEP does not necessarily mean that it holds a dominant position and that it is for the national court to determine, on a case-by-case basis, whether that is indeed so.²

¹ In the light of those questions, the Advocate General has confined his analysis to competition law and, in particular, to the question of abuse of a dominant position. However, that does not mean that the matters at issue, which, in his view, mainly result from a lack of clarity as to the actual meaning and content of FRAND terms, could not be adequately, if not better, resolved in the context of other branches of law or by mechanisms other than the rules of competition law.

² Although the fact that anyone complying with a standard set by a standards body must inevitably make use of the teaching of an SEP (thus requiring a licence from the patent proprietor) may give rise to a rebuttable presumption that

That said, the Advocate General proposes that the questions referred by the Landgericht Düsseldorf should be answered as follows:

Where the proprietor of a standard-essential patent (SEP) has made a commitment to a standards body to grant third parties a licence on fair, reasonable and non-discriminatory (FRAND) terms, it constitutes an **abuse of a dominant position**³ for that proprietor to request corrective measures or to seek an injunction against a company that has infringed the SEP ('the infringer')⁴ (an action which, if successful, may cause the products and services supplied by the offending company to be excluded from the markets covered by the standard), where it is shown that the SEP holder has not honoured its commitment even though the offending company has shown itself to be objectively ready, willing and able to enter into such a licensing agreement.

In order to honour that commitment and to **avoid abusing a dominant position**, the SEP holder must, **before making a request for corrective measures or seeking an injunction**, alert the infringer to the infringement at issue in writing, giving reasons, and specifying the SEP concerned and the way in which it has been infringed by that company, unless it has been established that the alleged infringer is fully aware of the infringement. **The SEP holder must, in any event, present the alleged infringer with a written offer of a licence on FRAND terms and that offer must contain all the terms normally included in a licence in the sector in question, including the precise amount of the royalty and the way in which that amount is calculated.**

The infringer must respond to that offer in a diligent and serious manner. If it does not accept the SEP holder's offer, it must promptly present the latter with a reasonable counter-offer, in writing, in relation to the clauses with which it disagrees. An application for corrective measures or for an injunction does not constitute an abuse of a dominant position if the conduct of the infringer is purely tactical and/or dilatory and/or not serious.

If negotiations are not commenced or are unsuccessful, the conduct of the alleged infringer cannot be regarded as dilatory or as not serious if it requests that FRAND terms be fixed either by a court or by an arbitration tribunal. In that event, it is legitimate for the SEP holder to ask the infringer either to provide a bank guarantee for the payment of royalties or to deposit a provisional sum at the court or arbitration tribunal in respect of its past and future use of the patent.

Nor can an infringer's conduct be regarded as dilatory or as not serious during negotiations for a licence on FRAND terms if it reserves the right, after entering into an agreement for such a licence, to challenge before a court or arbitration tribunal the validity, use and essential nature of that patent.⁵

In taking legal action to secure the rendering of accounts, the SEP holder does not abuse a dominant position. It is for the national court in question to ensure that the measure is reasonable and proportionate.

In bringing a claim for damages in respect of past use of the patent, for the sole purpose of obtaining compensation for previous infringements of its patent, the SEP holder does not abuse a dominant position.

NOTE: The Advocate General's Opinion is not binding on the Court of Justice. It is the role of the Advocates General to propose to the Court, in complete independence, a legal solution to the cases for which they are

the owner of that patent holds a dominant position, Mr Wathelet is of the opinion that it must be possible to rebut that presumption with specific, detailed evidence.

³ In accordance with Article 102 TFEU.

⁴ In accordance with Article 10 and Article 11, respectively, 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 2004 L 157, p. 45).

⁵ The Advocate General notes in that regard that ETSI does not verify whether an intellectual property right of which it has been notified by one of its members is valid or essential. With regard to the LTE standard, it would appear that more than 4 700 patents have been notified as essential to ETSI and that a large proportion of those may not be valid or essential to the standard.

responsible. The Judges of the Court are now beginning their deliberations in this case. Judgment will be given at a later date.

NOTE: A reference for a preliminary ruling allows the courts and tribunals of the Member States, in disputes which have been brought before them, to refer questions to the Court of Justice about the interpretation of EU law or the validity of a European Union act. The Court of Justice does not decide the dispute itself. It is for the national court or tribunal to dispose of the case in accordance with the Court's decision, which is similarly binding on other national courts or tribunals before which a similar issue is raised.

Unofficial document for media use, not binding on the Court of Justice.

The [full text](#) of the Opinion is published on the CURIA website on the day of delivery.

Press contact: Christopher Fretwell ☎ (+352) 4303 3355