



FEDERAL SUPREME COURT

IN THE NAME OF THE PEOPLE

JUDGEMENT

X ZR 33/10

Pronounced on:
21 August 2012
Anderer Clerk of the
Court, acting as
Registrar of the Court

in the matter of

Reference work: yes

BGHZ: yes

BGHR: yes

MPEG-2-Video signal encoding

Sec. 9 (2) No. 3 and Section 10 (1) Patent Law

- a) A sequence of video image data representing video images may be regarded as a direct result of a manufacturing process and as such enjoy product protection under Sec. 9 (2) No. 3 Patent Law.
- b) If a data sequence is to be regarded as a direct process product of a video image coding process, product protection shall also cover a data carrier on which the data sequence obtained in accordance with the invention has been stored or which constitutes a duplication of such a data carrier.
- c) If such a data carrier (here: digital video master tape) has been placed on the market with the consent of the patent holder, the production of further data carriers (here: DVDs) containing the data sequence encoded in accordance with the invention shall also remain within the scope of the authorization to use the data sequence produced in accordance with its intended purpose resulting from the exhaustion of patent law.
- d) The supply of data carriers with the sequence of data in accordance with the invention, which is not unlawful because the patentee has arranged for it

within the framework of a test order by making the sequence of data available, can give rise to the risk of future patent infringing acts if the supplier acts in ignorance of exhaustion.

- e) An optical medium containing data which can be converted into video image data by means of a patented decoding process is not, by its very nature, a means relating to an essential element of the decoding process.

BGH, judgement of 21 August 2012 - X ZR 33/10 - OLG Düsseldorf
LG Düsseldorf

At the oral hearing of August 21, 2012 with the presiding judge Prof. Dr. Meier-Beck, judges Gröning, Dr. Grabinski, Hoffmann and Schuster, the Xth Civil Senate of the Federal Supreme Court

ruled:

On the appeal by the Defendant, the judgment of the 2nd Civil Senate of the Oberlandesgericht (Court of Appeal) of Düsseldorf delivered on January 28, 2010 shall be overruled to the extent of the following amendment to the original judgment.

On the appeal by the Defendant the judgment of the 4a Civil Chamber of the Landgericht (District Court) of Düsseldorf dated October 7, 2008 shall be amended and the claim dismissed, to the extent acknowledged to be detrimental to the Defendant and that the claim has not been withdrawn or the dispute is mutually declared to be settled in the main action.

The parties shall each bear their own costs of the action.

Ex officio

Facts of the case:

- 1 The Plaintiff was the registered owner of European patent 0 630 157 registered on December 3, 1991 and granted for the territory of the Federal Republic of Germany, now lapsed due to the expiry of the term of protection, which relates to systems and methods for encoding alternate fields of interlaced video sequences of Patent claims 11 and 25 relating to an encoding and decoding method are as follows in the procedural language:

- "11. A method for encoding video data representative of successive frames of video images, the video data for each frame having interlaced first and second fields, the method comprising the steps of (a) receiving a sequence of frames of video data and (b) separating the data for each frame into its first and second fields, characterized in that the method further comprises the steps of:
- (c) deriving one or more first motion vectors (FMV) each associated with a respective block of pixel data from the first field of a current frame ($E_i(t)$) and with a corresponding block of pixel data from the second field of the current frame ($O_{c1}(t)$);
 - (d) deriving one or more second vectors (CMV) each associated with a respective block of pixel data from the first field of the current frame ($E_i(t)$) and with a corresponding block of pixel data from the first field of the immediately preceding frame ($E_{c1}(t-1)$);
 - (e) storing the second field of the current frame ($O_{c1}(t)$), the first field of the current frame ($E_i(t)$), the first field of the immediately preceding frame ($E_{c1}(t-1)$), one or more first motion vectors derived in step (c), and one or more second motion vectors derived in step (d);
 - (f) determining from the one or more stored first motion vectors and/or the one or more stored second motion vectors, best mode information for predicting one or more blocks of pixel data, each associated with a respective stored first or second motion vector, and each having the least pixel error when compared with the corresponding block of pixel data of the first field of the current frame;
 - (g) determining pixel error data representative of any pixel error between the one or more predicted blocks of pixel data and the one or more corresponding blocks of pixel data of the first field of the current frame; and
 - (h) providing signals representing the second field of the current frame, the best mode motion vector data, and the pixel error data.
25. A decoding method for encoded video data representing a sequence of frames of video images, the video data for each frame having interlaced first and second fields, the method comprising the step of (a) receiving encoded video data for successive frames, characterized in that the method further comprises the steps of:

- (b) separating the encoded data for each frame into (i) first motion vector data, if any, associated with one or more blocks of pixel data of the second field of a current frame ($O_c(t)$) and with one or more corresponding blocks of pixel data of a first field of the current frame ($E_c(t)$), (ii) second motion vector data, if any, associated with one or more blocks of pixel data of the first field of an immediately preceding frame ($E_{c1}(t-1)$) and with one or more corresponding blocks of pixel data of the first field of the current frame, (iii) pixel error data representative of any pixel error in each block of pixel data associated with the first and/or second motion vector data when compared with the corresponding block of pixel data of the first field of the current frame ($E_c(t)$), and (iv) the second field of the current frame;
- (c) selecting one or more blocks of pixel data of the second field of the current frame associated with the first motion vector data and/or one or more blocks of pixel data of the first field of an immediately preceding frame associated with the motion vector data associated with the second motion vector data;
- (d) deriving from the block or blocks of pixel data selected in step (c), one or more blocks of pixel data each having the lowest pixel error when compared with the corresponding block of pixel data of the first field of the current frame;
- (e) generating a predicted first field of the current frame ($E_{c1}(t)$) from the one or more blocks of pixel data derived in step (d) and the pixel error data for the same one or more blocks of pixel data; and
- (f) generating the current frame of video image data from the predicted first field of the current frame and the second field of the current frame separated from the received encoded video data."

2 Reference is made to the litigation patent document due to the wording of patent claim 21 that relates to a decoding system relating to the decoding method.

3 The Plaintiff had introduced the litigation patent to a patent pool managed by M. , C. (hereinafter referred to as: MPEG LA).

The pool patents relate to an international standard of the International Organization for Standardization (ISO) for encoding methods in connection with the transmission and storage of video signals (MPEG-2 standard). The owners of the individual introduced protective rights granted MPEG LA a simple worldwide patent license. MPEG LA grants to companies simple worldwide patent licenses for the encoding of video data under the MPEG-2 standard in standardized contracts.

4 The Defendant is a company based in Greece that manufactures and distributes optical video data storage media (digital video discs – DVDs). To date it has not entered into a standard pool license agreement. The Plaintiff has made a claim against the Defendant to cease and desist and to render accounts and requested the determination of its obligation to pay damages. The filed action is based on a test order initiated by the Plaintiff through a Ms. P., who, under the letterhead “E M. P.” in Frankfurt/Main, requested from the Defendant a quotation for the manufacture of 500 DVDs “Erdbebenmessung in Deutschland” (Earthquake measurement in Germany). After the Defendant had specified its prices, Ms. P. transferred to it a digital linear tape (DLT) as a DVD master with the pre-coded video data for manufacture. The Defendant manufactured the DVDs in a standard method in which the data was first pressed on to a glass master of which an imprint was produced on a stamper, which was used to press the optically readable file structure on to DVD blanks, and sent them to the specified delivery address “E M. P.” in Cologne.

5 To the extent that this is still of interest to the appeal process, the District Court ordered the Defendant, with the threat of measures of compliance, to cease and desist from offering, circulating or using optical data media with coded video data that represents successive frames of video images, the video data for each frame having

interlaced first and second fields, as a product directly derived from the method with the process steps named in patent claim 11, and neither to import nor own them for the specified purposes and/or to offer or supply optical data media that are suited to and intended for decoding systems for encoded video data that represents successive frames of video images, the video data for each frame having interlaced first and second fields and the system exhibiting the features of patent claim 21, and/or to offer and/or to supply such optical data media that are suited to and intended for a decoding method for such encoded video data that exhibits the steps of patent claim 25. Further, the District Court ordered the Defendant to render accounts in accordance with a more closely defined specification for infringing acts relating to the method under patent claim 11 and to that extent determined its obligation to pay damages and lastly awarded the Plaintiff a right to information due to direct and indirect infringement. The appellate court dismissed the Defendant's appeal.

6 With its appeal permitted by the Senate the Defendant initially pursued its application for the claim to be dismissed in full; after the litigation patent lapsed in the course of the appeal process due to the expiry of the term of protection, the parties mutually declared the action regarding the cease-and-desist claim to be settled with competing cost applications; further the Plaintiff opposes the appeal.

Reasons for the ruling:

7 The appeal is upheld and shall result in the dismissal of the claim to the extent that no settlement has been reached in the main action.

8 I. The appellate court correctly considered the claim to be permissible.

9 1. It affirmed the international jurisdiction of the German courts pursuant to Art.
5 no. 3 Council Regulation (EC) No 44/2001 without erring in law and without
objection from the appeal. The claim is based on an infringement of the European
patent 630 157 granted with effect for the Federal Republic of Germany by means of
the supply of DVDs to the Federal Republic of Germany. Thus the infringement of a
domestic protective right is being asserted by an act, the location of which
establishes the jurisdiction over the infringing act as Germany. Whether the acts of
the Defendant in fact establish the patent infringement asserted is not a question of
admissibility, but rather the legitimacy of the action (cf. BGH, judgment of June 29,
2010-VI ZR 122/09, NJW-RR 2010, 1554-1558).

10 2. Further, the action is not impermissible on the grounds that actions have
been filed against the Defendant due to the test purchase in eight further sets of
proceedings in which the decisions of the appellate court are again challenged with
the non-admission complaint, which were filed by other patent owners belonging to
the patent pool again due to patent infringement. Counter to the contentions of the
appeal, this circumstance alone does not justify the assumption that the pursuit of a
legal claim by Plaintiff is an abuse of the law.

11 The parallel drawn by the appeal to the jurisprudence of the Federal Supreme
Court regarding the abusive multiple pursuit of one and the same instance of anti-
competitive conduct (cf. BGH, judgment of April 6, 2000 -1 ZR 76/98, BGHZ 144, 165
- Abusive multiple prosecution; of January 17, 2002 -1 ZR 241/99, BGHZ 149, 371 -
Abusive multiple warning; of June 26, 2008 -1 ZR 221/05, GRUR 2008, 915 -40 year
guarantee) is misguided. The Defendant is not being claimed against by multiple
Plaintiffs in separate proceedings due to the same legal infringement, rather the

Plaintiff alone – like the Plaintiffs in the other proceedings – is asserting the breach of one of its protective rights by the challenged acts of the Defendant. It cannot be prevented from doing so even if – as is clearly the case – the claims have been prepared in a coordinated and collective manner, as the infringement of each patent is to be examined separately and also the legal assessment of both the asserted protection of the products directly derived from the method as well as the asserted indirect patent infringement depends, or at least may depend, on what is the object of patent protection in the individual case. Whether something different would need to apply if multiple protected rights are asserted without reasonable grounds does not require a decision in this action.

12 II. The litigation patent relates to a method for the encoding of video data (patent claim 11) that presents successive frames of video images,

- (1) the video data for each frame having interlaced first and second fields and
- (2) the method comprising the steps of:
 - (a) receiving a sequence of frames of video data and
 - (b) separating the data for each frame into its first and second fields;
 - (c) deriving one or more first motion vectors (FMV) each associated with a respective block of pixel data from the first field of a current frame ($E_i(t)$) and with a corresponding block of pixel data from the second field of the current frame ($O_{c1}(t)$);
 - (d) deriving one or more second motion vectors (CMV) each associated with a respective block of pixel data from the first field of the current frame ($E_i(t)$) and with a corresponding block

of pixel data from the first field of the immediately preceding frame ($E_{c1}(t-1)$);

- (e) storing the second field of the current frame, the first field of the current frame, the first field of the immediately preceding frame, one or more first motion vectors derived in step (c), and one or more second motion vectors derived in step (d);
- (f) determining from the one or more stored first motion vectors and/or the one or more stored second motion vectors, best mode information for predicting one or more blocks of pixel data, each associated with a respective stored first or second motion vector, and each having the least pixel error when compared with the corresponding block of pixel data of the first field of the current frame;
- (g) determining pixel error data representative of any pixel error between the one or more predicted blocks of pixel data and the one or more corresponding blocks of pixel data of the first field of the current frame; and
- (h) providing signals representing the second field of the current frame, the best mode motion vector data, and the pixel error data.

13 The patent in suit moreover relates to a decoding method for encoded video data (claim 25) representing a sequence of frames of video images, the video data for each frame having interlaced first and second fields, the method comprising the steps of:

- (a) receiving encoded video data for successive frames;

- (b) separating the encoded data for each frame into
 - (i) first motion vector data, associated with one or more blocks of pixel data of the second field of a current frame and with one or more corresponding blocks of pixel data of a first field of the current frame,
 - (ii) second motion vector data, if any, associated with one or more blocks of pixel data of the first field of an immediately preceding frame and with one or more corresponding blocks of pixel data of the first field of the current frame,
 - (iii) pixel error data representative of any pixel error in each block of pixel data associated with the first and/or second motion vector data when compared with the corresponding block of pixel data of the first field of the current frame, and
 - (iv) the second field of the current frame;
- (c) selecting one or more blocks of pixel data of the second field of the current frame associated with the first motion vector data and/or one or more blocks of pixel data of the first field of an immediately preceding frame associated with the motion vector data associated with the second motion vector data;
- (d) deriving from the block or blocks of pixel data selected in step (c) one or more blocks of pixel data each having the lowest pixel error when compared with the corresponding block of pixel data of the first field of the current frame;
- (e) generating a predicted first field of the current frame ($E_{c1}(t)$) from the one or more blocks of pixel data derived in step (d) and the pixel error data for the same one or more blocks of pixel data; and one or more second motion vectors derived in step (d);

- (f) generating the current frame of video image data from the predicted first field of the current frame and the second field of the current frame separated from the received encoded video data.

14 The litigation patent further relates to a decoding system (patent claim 21) for encoded video data that analogously exhibits the features of patent claim 25.

15 III. The appellate court assumed that the Defendant had directly used the object of patent claim 11 of the litigation patent, which is why the Plaintiff was supposedly entitled to claims to cease and desist, damages and the rendering of accounts under section 139 para. 1 and 2, section 140b German Patent Act (*Patentgesetz*, PatG), sections 259, 260 German Civil Code (*Bürgerliches Gesetzbuch*, BGB), section 9 sentence 2 no. 3 PatG. It essentially substantiated this as follows: given the observance of the MPEG-2 standard determined by the District Court, it is to be assumed, absent any points of reference to the contrary, that the encoding of the data resulted in a method according to the patent being performed because the standard comprises a method for predicted encoding of an interlaced video signal, as the litigation patent teaches. A DVD with such data is to be considered a product directly derived from the method protected by this patent claim as defined in section 9 sentence 2 no. 3 PatG. Patent claim 11 relates not to a working method, but a manufacturing one. Whether non-physical products derived from the method fall under product protection may be left open because the action challenges data media on which the data is stored by means of lands and pits along a recording track. Directness as defined by section 9 sentence 2 no. 3 PatG is to be affirmed if the challenged product represents an interim product that, although it is subjected to further processing measures following the patent- protected method, the

patented method, however, has contributed substantially to the creation of the product as intended and according to prevailing opinion and the product created by the invention has not lost its characteristic properties and autonomy through the further processing steps. That is what has happened here. After encoding the video data transferred to the MPEG-2 format is permanently materialized by storage on the computer. During the following steps up to the manufacture of the DVDs the data retained in an unchanged form its characteristic properties that were received via the method.

16 What is solely material for protection under section 9 sentence 2 no. 3 PatG is that the product in question (DVD) can be considered a direct result of the patent-protected manufacturing process. It also remains exposed to the prohibitive rights of the owner of the protective rights if it is no longer in the control of the person who performed the method according to the patent. For that reason the Defendant is not exonerated by the fact that the recording structure retained in its DVDs was not applied by itself, but by a third party.

17 The rights from the litigation patent are not exhausted. Exhaustion did not arise in respect of the fact that – according to the Defendant’s submissions – an encoding device licensed by MPEG LA and encoding program were used to manufacture the master tape (DLT) submitted to the Defendant. Commercial customers of the encoding-device licensees cannot derive any permission for them to encode MPEG-2 videos from this license; to do so they instead require their own license, which is legally unobjectionable. Further, the master tape was not circulated in a manner that exhausts the rights from the litigation patent by the test purchaser making it available to the Defendant with the Plaintiff’s approval. Circulation that results in exhaustion (only) exists if an object according to the patent is granted and in doing so the

owner of the protective rights realizes the economic value of the invention. However, the right of disposal over the master tape was only transferred to the Defendant solely for the purposes of a test purchase in order to verify its compliance with the law.

18 IV. This assessment does not stand up in the face of a legal review in one key regard.

19 1. Although the appellate court was correct in that the Defendant circulated a product directly derived from the method covered by the prohibitive rights of the patent owner under section 9 sentence 2 no. 3 PatG and the Plaintiff's complaint headings, this is to be seen in the totality of the use of the method contained under patent claim 11 of the litigation patent and the encoded video data imprinted on to the supplied DVDs.

20 a) As the appellate court assumed without erring in law and unchallenged by the appeal, patent claim 11 of the litigation patent places a manufacturing process under protection that is applied to video image sequences stored by analogue or digital means in order to encode these in accordance with the MPEG-2 standard and to compress them to a fraction of the initial data volume (cf. LG Düsseldorf, InstGE 7, 70 Subitem 46). Having run through the process steps provided for in patent claim 11, encoded video data is obtained as a product directly derived from the method that corresponds to the specifications of this standard and, in accordance with the findings of the appellate court, is stored in the retained information and recording structures initially in the RAM of the encoder expansion cards and then in a format suitable for a DVD on the hard drive of a computer. Consequently, the totality of this encoded MPEG-2 video data materialized in this way remains unchanged as such. In the course of the manufacturing process of the DVDs the data is imprinted on to the plastic discs used as DVDs for the purpose of optical readability in the form of

recesses (“pits”) and non-recessed areas (“lands”) through imprinting the profile that exists on the stamper as a mirror image. The fact that the data was initially cached on the master tape and the glass master is solely due to the requirements of DVD production; however, according to the unchallenged findings of the appellate court, it leaves the identity and characteristics of the data structure produced according to the method and the products derived from the method obtained untouched. In this context the appellate court clearly spoke metaphorically of the (changing) packaging (data media) of a product (encoded video data).

21 b) The data sequence obtained according to the method, as a product directly derived from the method, is the object of the prohibitive right of the patent owner under section 9 sentence 2 no. 3 PatG, even if it is not to be considered a physical object, but rather this only arises through its connection with a data medium.

22 According to the jurisprudence of the Federal Supreme Court, non-physical signal sequences that represent data suitable for transmission via the Internet may attract property protection despite the lack of a physical substrate (data medium). The Federal Supreme Court contends that, for the purposes of data processing, there is no material difference between data sequences that are stored on a data medium and those that are merely transferred via the Internet (BGH, decision of February 17, 2004 - X ZB 9/03, BGHZ 158, 142 - Signal sequence). This takes account of the circumstance that, even in data processing, the data medium is not material to the use of the data as intended, but rather it functions as a storage medium. It is no different in the action in the case of the outcome of the manufacturing process according to patent claim 11 of the litigation patent. The

various data media used are only significant in their function as a storage medium for the processing and use of the totality of encoded and compressed data obtained in accordance with the method, whilst the object of the use as intended (for data processing) is solely the encoded data sequence that is merely materialized on the data medium.

23 The fact that the literature rejects product protection under section 9 sentence 2 no. 3 PatG for non-physical products such as light, heat, electrical energy or sound, notwithstanding isolated views expressed in older pieces (cf. Benkard/Scharen, Patentgesetz, 10th Ed., § 9 Subitem 53; Busse/Keukenschrijver 6th Ed. § 9 Subitem 100 with citations), does not substantiate an objection to the assessment of the action. This view clearly concentrates on the direct use or consumption coinciding with the production of electricity, heat, light and as relevant sound waves. The playing of totalities of video data imprinted on to a DVD or stored in another form is not comparable to this for the reason that this is read and rendered perceptible using the devices intended for this purpose and using corresponding decoding equipment and methods as video events and in this way can be used any number of times as intended like physical objects. Given this suitability as to how an item can be used and can serve as an object of commerce, it also appears appropriate from an objective perspective to accord to the data sequence produced by the method the protection of a product directly derived from the method.

24 2. The appeal successfully opposes the view of the appellate court that an exhaustion of the rights from the litigation patent had not occurred.

25 a) However, an authorization for Ms. P. to use the invention, who, according to the findings of the appellate court, did not have an MPEG-2 pool license of her own

nor a patent exploitation license issued by the Plaintiff, cannot, as the appeal contends, be derived from the standard license over which the manufacturer of the encoding software disposes with which the video data was encoded on to the master tape entrusted to the Defendant. The appellate court interpreted this contract without erring in law to the effect that it prohibits the manufacturers of encoding devices and software from permitting their commercial customers to use the devices and software for the commercial encoding of one or more MPEG-2 video events for recording on to an MPEG-2 packaged medium. To the extent that the appeal contends that a further license is only necessary for trading in DVDs, which Ms. P. did not engage in, in the context of the reasons for the decision the appellate court interpreted the standard license agreement in a manner that is legally unobjectionable to the effect that only private personal use is permitted in the absence of one's own license. In the case of the video data sequence created by Ms. P., there is no question of this given its object and the number of reproductions ordered from the Defendant alone.

26 b) The appellate court incorrectly assessed the fact that the test purchaser used the method according to the patent with the Plaintiff's consent and produced the master tape with the encoded data and circulated it by supplying it to the Defendant.

27 aa) The criterion which was considered to be decisive in the action in the view of the appellate court, based on a decision of the Federal Supreme Court in relation to a matter under brand law (BGH, judgment of February 15, 2007-1 ZR 63/04, GRUR 2007, 882 - Perfume tester), regarding whether circulation realized the economic value of the protective right, does not support the rejection of exhaustion. If the test purchaser did use the method according to the invention with the agreement of the Plaintiff, the latter may derive no further rights from the litigation patent

vis-à-vis the test purchaser to that extent – neither on account of the use of the method itself nor due to the product directly derived from the method – as intended and at its will. By granting to the test purchaser the use of the method – irrespective of for what purpose – the Plaintiff realized the economic value of the invention. However, if exhaustion has occurred in respect of the product directly derived from the method, the Defendant who received the master tape from the test purchaser may also invoke this. The fact that Ms. P. generated the data sequence encoded on this tape according to the invention with the Plaintiff's consent wrongly casts doubt on the response to the appeal. According to the findings of the appellate court, Ms. P. placed the order at the instigation of the Plaintiff (transcript p. 8, 47). The fact that she could have produced the necessary master tape all the same without the Plaintiff's knowledge and consent can be ruled out given the circumstances of the matter, and it is in this way that the findings of the appellate court are to be understood in the context of the reasons for the decision. Further, it is sufficient for exhaustion that the Plaintiff agreed in any event to the circulation of the master tape intended for the DVD manufacture containing the data sequence encoded in accordance with the method according to the invention.

28 bb) The authorization following from the exhaustion of the patent right for the use as intended of the products directly derived from the method also covers the reproduction of 500 DVDs by pressing.

29 The exhaustion of rights resulting in free usability from a patent granted with effect for the Federal Republic of Germany occurs for a product directly derived from the method protected under section 9 sentence 2 no. 3 PatG if it is circulated by the patent owner or with the owner's consent in Germany (cf. BGH, judgment of

September 24, 1979 - KZR 14/78, GRUR 1980, 39 - Fullplast method; Benkard/Scharen, PatG, 10th Ed., § 9 Subitem 25 with citations). The acquiror of a product derived from the method circulated in this manner and any legal successor could use this in any manner they chose. The fabrication of the 500 DVDs ordered by Ms. P. is not excluded from this. For their manufacture the encoded video data set that remains identical as such merely needs to be transferred to a stamp with which the data could be pressed on to the required number of DVD blanks in an optically readable structure (IV 1 a above). This did not require the renewed application of the method according to patent claim 11 of the litigation patent, rather the use of the data sequence already encoded according to the invention on the master tape was adequate. Accordingly, there can be no discussion of the unauthorized production of (further) products directly derived from the method in the absence of a renewed use of the method according to the invention.

30 V. The appellate court further assumed that the supply of the challenged - DVDs also constituted an indirect infringement of claims 21 and 25 of the litigation patent. It essentially substantiated this as follows: the DVDs produced were means as defined by section 10 para. 1 PatG that referred to a material element of the invention. What is protected are the information and recording structures to be decoded and decompressed via the equipment according to the patent that are physically present on the recording media and are only processable for the decoding equipment only as a result of that. In the case of the equipment protected under patent claim 21, compressed video signals with information about the sequence of the display of decompressed fields are received, identified and organized in the correct sequence. The protected equipment thus presupposes a recording structure with physical

properties that improve the exploitability in optical terms of the stored information. If a DVD that corresponds to the substantial parts of the MPEG-2 standard is inserted into a playback device equipped with decoding equipment according to the invention as standard, this equipment according to the invention inevitably becomes operational under the use of the similarly protected decoding method. Use of the object protected under patent claim 21 and use of the method protected under patent claim 25 are direct acts of usage as defined by section 9 sentence 2 nos. 1 and 2 PatG. The DVDs manufactured by the Defendant are not to be seen as a means that is of a completely subordinate significance for the realization of the protected teaching in any event, but instead are decisive for the use and utilization of the protected object as instigated. The invention could be directly executed by means of the DVDs in conjunction with other means due to the recording structures made available on them. DVDs with video signals compressed in a specific way on the one hand and decoding equipment or methods on the other are specially matched to one another, which is why the former cannot be considered equivalent to a raw material that merely requires processing.

31 VI. The evaluation of the supply of the challenged DVDs as an indirect infringement of claims 21 and 25 of the litigation patent does not withstand legal review.

32 1. According to consistent case law from the Federal Supreme Court, section 10 para. 1 PatG, as a circumstance posing a risk to a patent, protects the patent owner prior to a threatened infringement before the interference with the object of his protective right (BGH, judgment of May 4, 2004 -XZR 48/03, BGHZ 159, 76, 84 - Impeller water meter; judgment of February 27, 2007 - X ZR 113/04, GRUR 2007, 773 Subitem 18 - Pipe welding process). In the context of this statutory purpose the

factual feature of the “means that relate to a substantial element of the invention” restricts the advance prohibition to the supply of such means whose function makes them liable to result in an interference with the protected object. A means relates to a substantial element of the invention in the necessary manner if it is suited to interact functionally with such an element in the realization of the protected inventive step. However, such a functional interaction of the means with one or more features of the patent claim can only come into question if the protected inventive step is actually realized through the deployment of the means. In contrast, the criterion of the suitability of the means to functionally interact with a material element of the invention in the realization of the protected inventive step rules out such means that, although they are used in the utilization of the invention, contribute nothing to the realization of the technical teaching of the invention (cf. BGH, judgment of May 4, 2004 - X ZR 48/03, BGHZ 159, 76 - Impeller water meter, judgment of February 27, 2007 - X ZR 38/06, BGHZ 171, 168 Subitem 1 8- Pipette system).

33 2. The functional interaction required for the realization of an indirect patent infringement with one or more features of patent claims 21 and 25 of the litigation patent lacks a suitable DVD in the case of decoding via the method according to the invention.

34 The method under patent claim 25 of the litigation patent essentially consists of decoding data that is encoded according to the invention in a certain manner to enable the playback of images by the playback device. The successful use of the decoding method thus presupposes that the data is encoded in a suitable manner that is also in accordance with the invention; to that extent the DVD and the decoding system and method, as the appellate court correctly represents, need to be matched

to one another. However, this does not alter the fact that the method solely consists of processing the sequence of encoded data. The success according to the invention correspondingly consists of the generation of the video signal derived from the decoded data, as expressed by patent claim 25. The data encoded as set out in patent claim 11 makes no contribution to this processing procedure and its success. It does not interact with the decoding system during decoding, but instead form its object and starting point, no differently from the way in which the video image forms the object and starting point of the encoding. This context is not sufficient for inclusion in indirect invention protection under section 10 PatG. Indirect patent infringement presupposes that the means supplied is at the same time used as an element or component in order to render the protected invention fully functional, like a “cog in the gears”. The means must correspondingly contribute to the realization of the protected invention in such a way that this can be fully realized by the means or with the aid of the means. The DVDs supplied and the video data stored on them do not have such significance for the system and method protected under patent claim 21 and 25. Without inserting a DVD into the playback device, both are neither incomplete nor non-operational, but rather all that is missing is the need and impetus for the commissioning of the system and the course of the method.

35 The supply of a DVD thus does not represent a supply of a “means” as defined by section 10 PatG. For that reason the question may remain open as to whether an indirect patent infringement must also be rejected for the reason that, although Ms. P., who took delivery of the DVDs, was not entitled to use the decoding method according to the patent because, as the appellate court determined, no license had been issued to her for this purpose, the supply of the DVDs could nonetheless only result in a direct infringement if the encoded video image data had been decoded

via a playback device that was manufactured without the Plaintiff's consent, and the supply of the DVDs thus was not liable to increase the risk of a direct patent infringement or to facilitate such an indirect patent infringement and thus to foster such an infringement of rights, the aversion of which is served by the circumstance posing a risk to a patent under section 10 PatG.

36 VII. On the basis of the above considerations the Plaintiff may no more request the desired determination of the obligation to pay damages due to a direct patent infringement and the rendering of accounts that serves the quantification of such a claim to the payment of damages than the information based on the asserted direct and indirect patent infringement under section 140b PatG because there is no (completed) infringing act. Like the claims for information and rendering of accounts, the desired determination equally presupposes a factually completed infringing act (cf. BGH, judgment of April 30, 1964 - IaZR 223/63, GRUR 1964, 496, 497 - Molding sand II; judgment of June 7, 2005 -XZR 247/02, GRUR 2005, 848, 854 - Drive pulley elevator; Benkard/ Rogge/Grabinski, PatG, 10th Ed., § 139 Subitem 40; Busse/Keukenschrijver 6th Ed. § 139 PatG Subitem 87; Mes, PatG GebrMG, 3rd Ed. § 139 PatG Subitem 118). To the extent that it is still pending in court following the partial withdrawal of the action at appeal instance and settlement in the main action, the action shall be dismissed as being without foundation. The Senate may declare the dismissal of the claim to this extent because the matter is ready for a final ruling in accordance with the facts established (section 563 para. 3 ZPO).

37 VIII. The ruling on costs shall be made under consideration of the partial defeat and success (section 92 para. 1 ZPO) and in that context in respect of the cease and desist claims declared as settled in accordance with the principles arising from section 91a ZPO with the exercise of discretion taking into account the prior state of the facts and the action. To that extent the anticipated outcome of the method is material,

provided it can be forecast with sufficient certainty (BGH, decision of November 16, 1999 - KVR 10/98, WuW/E DE-R 420-422= NJW-RR 2000, 776 - Settled complaint), which is the case here as it merely depends on questions of law. Accordingly, the Defendant shall be ordered to pay the costs incurred due to the cease-and-desist claim due to a direct patent infringement (patent claim 11). Without the occurrence of the event of settlement the action would have ultimately succeeded. Although the Plaintiff was not entitled to this claim for the reasons set forth (IV 2 and VII above) from the perspective of the prospect of recidivism, according to the facts established, however, there was a risk of future infringing acts (risk of first infringement) that would have supported the declaration of the cease and desist order. This risk arose from the fact that the Defendant was prepared to carry out the order placed by Ms. P. for the delivery of the required DVDs, although it was not aware of the reasons from which the exhaustion of the rights from the litigation patent occurred and it had no further occasion to assume that Ms. P. could be entitled to use the patented encoding method. These contexts substantiate the prognosis that the Defendant would not have acted any differently than in the action if it had received an order to produce DVDs under circumstances under which no exhaustion of the rights from the litigation patent would have occurred. The Defendant's objection that the test transaction was an abuse of the law is therefore also of little importance to the ruling on costs because there would not have been any adequate reference points for the breach of the law by the Defendant already committed or pending – which incidentally the appellate court had rejected with considerations that were legally unobjectionable.

38 The risk of a future infringing act by the Defendant has also not been dispensed with. Although a risk of first infringement, unlike in many cases the prospect of recidivism, cannot be avoided by means of the submission of an unlimited,

unconditional cease-and-desist declaration secured through the promise of adequate liquidated damages (cf. BGH, judgment of June 7, 2005 - X ZR 247/02, GRUR 2005, 848 - Drive pulley elevator), at the same time the cessation of the once substantiated risk of the first commission of acts relevant to the protective rights can only be assumed if the circumstances that substantiated this risk have been dispensed with or if a pending breach of protective rights can no longer be concluded from these circumstances for other reasons. To that extent only the cease-and-desist declaration submitted by the Defendant prior to the action and repeated during the action comes into question in the action. However, this was not sufficient to eradicate the risk of the first infringement for the same reasons as were not adequate to remove the prospect of recidivism according to the assessment by the appellate court that is legally unobjectionable. This is because, to eradicate the risk of first infringement, only a cease-and-desist declaration formulated as concretely as in the motion or a corresponding judgment tenor would have been adequate in the absence of other measures taken by the Defendant for the effective avoidance of supplies as was made to Ms. P. This is not evident for the reasons assumed by the appellate court without erring in law and that apply equally to the risk of first infringement.

39 The claims asserted by the Defendant for damages, information and rendering of accounts and (at first instance only) claims for destruction under the total circumstances of the dispute in value terms as defined by section 92 para. 2 no. 1 ZPO are not of considerable importance, meaning that it is appropriate in the end for each party to bear its own costs of the action.

Meier-Beck

Gröning

Grabinski

Hoffmann

Schuster

Previous instances:

District Court of Düsseldorf, decision of October 7 2008 - 4a O 95/07 –

Court of Appeals of Düsseldorf, decision of January 28, 2010 - I-2 U 129/08 -