

4c O 12/17



Pronounced on 8 January 2019

[Redacted]  
[Redacted]

**Düsseldorf Regional Court**

**IN THE NAME OF THE PEOPLE**

**Judgment**

In the civil matter

[Redacted]  
[Redacted]

Plaintiff,

[Redacted]

[Redacted]  
[Redacted]

against

[Redacted]  
[Redacted]

Defendant,

[Redacted]

[Redacted]  
[Redacted],

the 4c. Civil Chamber of the Düsseldorf Regional Court  
on the basis of the oral hearing of 8 November 2018  
by the presiding judge at the Regional Court Klepsch, the judges at the Regional

Court Dr. Schmitz and the judge Wimmers

Has **adjudged** as follows:

- I. The defendant is ordered to pay the costs,
  1. to provide the plaintiff with information as to the extent to which it has offered and/or supplied to commercial customers within the territory of the Federal Republic of Germany from 30 May 2014 to 23 January 2018 decoding devices (smartphones, tablets and notebooks)

which are suitable for use (decoding) encoded data as direct process products of a non-AVC PPL licensed encoding method, said encoding method being a moving picture prediction and encoding method for predicting a moving picture to be implemented in an encoder including a plurality of reference picture memories for storing picture data of a plurality of reference pictures to be used for the prediction, said moving picture prediction and encoding method comprising moving picture prediction and encoding method and steps:

receiving a parameter representing movement of an image segment to be predicted and a reference memory number indicating a reference image memory to be used for the prediction, generating a predicted image based on the parameter by using the image data stored in the reference image memory indicated by the reference memory number, and encoding the reference memory number according to information dynamically determining code allocation to the reference memory number based on the frequency of use of the respective memories for the prediction;

by specifying

- a) the names and addresses of manufacturers, suppliers and other previous owners,
- b) the names and addresses of the industrial purchasers and of the points of sale for which the products were intended,
- c) the quantity of products manufactured, delivered, received or ordered and the prices paid for those products;

wherein

- copies of the respective proofs of purchase (i.e., invoices or alternatively bills of sale) be submitted to substantiate the information provided, wherein details that must be kept confidential may be redacted;
2. to render account to plaintiff about the extent to which it has committed the acts referred to in item I.1. from 30 May 2014 to 23 January 2018, stating the extent of those acts:
- a) Information about the individual shipments, itemized by delivery quantities, times, prices, and type designations as well as the names and addresses of the commercial customers,,
  - b) Information about the individual offers, itemized by offer quantities, times, prices, and type designations as well as the names and addresses of the commercial offer recipients,
  - c) Information about the advertising that was done, itemized by advertising medium, circulation number, distribution period, and distribution area,
  - d) Information about the production costs, itemized by individual cost factors and the profits taken,

wherein

- defendant has the right to provide the names and addresses of noncommercial customers and offer recipients, not to plaintiff, but a chartered accountant to be named by plaintiff who is sworn to secrecy and has its offices in Germany, if defendant bears the costs of the accountant and undertakes to inform plaintiff in response to a specific inquiry whether a particular customer or offer recipient is on the list.
- II. It is found that the defendant is under an obligation to compensate the plaintiff for all damages it has suffered and will continue to suffer as a result of the acts referred to in item I.1 and committed between 30 May 2014 and 23 January 2018.
- III. Orders the defendant to pay the costs of the proceedings.
- IV. With regard to I.1. and I.2., the judgment is provisionally enforceable against the provision of security amounting to EUR 8,000,000.00 and otherwise against the provision of security amounting to 120% of the amount to be enforced in each case.

- V. The amount in dispute shall be assessed unit 8 November 2018 at EUR 30,000,000.00 and EUR 10,000,000.00 from 8 November 2018.

### **Facts of the case:**

After the parties had declared the dispute to be partially settled in accordance with the original claim for injunctive relief, the plaintiff has made claims for information and accounting as well as for damages on the merits for infringement of the German part of the European Patent EP [REDACTED] (submitted as Annex K 1, in German translation submitted as Annex K 2; hereinafter referred to as patent in suit): The application was filed on 22 January 1998, claiming Japanese priority on 13 February 1997 [REDACTED], and published as an application on 13 February 2008. The reference to the grant of the patent in suit was published on 30 April 2014. The patent in suit expired on January 23, 2018 due to the expiration of time.

The technical doctrine of the patent in suit concerns a method for predicting an implemented motion picture, for example in a motion picture encoder/decoder used in a portable/stationary video communication device and the like. By submission of 4 September 2017, the defendant brought an action for annulment against the patent in suit (see Annex Volume B 44), which has not yet been decided.

Claim 1 of the patent in suit - filed and granted in English - is as follows:

„1. A moving picture prediction and encoding method for predicting a moving picture to be implemented in an encoder including a plurality of reference picture memories for storing picture data of a plurality of reference pictures to be used for prediction, the moving picture prediction and encoding method comprising the steps of: receiving a parameter representing a motion of a picture segment to be predicted and a reference memory number indicating a reference picture memory to be used for prediction, generating a predicted picture based upon the parameter by using the picture data stored in the reference picture memory indicated by the reference memory number, and encoding the reference memory number according to information dynamically determining code

allocation to the reference memory number based on frequency in use of the respective memories for prediction."

Translated, the claim is 1:

„1. Verfahren zur Vorhersage und zum Codieren bewegter Bilder für die Vorhersage eines bewegten Bildes, das in einem Codierer enthaltend mehrere Bezugsbildspeicher zum Speichern von Bilddaten mehrerer für die Vorhersage zu verwendender Bezugsbilder zu implementieren ist, welches Verfahren zur Vorhersage und Codierung bewegter Bilder die Schritte aufweist: Empfangen eines Parameters, der eine Bewegung eines vorherzusagenden Bildsegments darstellt, und einer Bezugsspeichernummer, die einen für die Vorhersage zu verwendenden Bezugsbildspeicher anzeigt. Erzeugen eines vorhergesagten Bilds auf der Grundlage des Parameters durch Verwendung der in dem durch die Bezugsspeichernummer angezeigten Bezugsbildspeicher gespeicherten Bilddaten, und Codieren der Bezugsspeichernummer gemäß Informationen, die dynamisch eine Codezuteilung zu der Bezugsspeichernummer auf der Grundlage der Häufigkeit der Verwendung der jeweiligen Speicher für die Vorhersage bestimmen."

The drawings reproduced below in reduced form are taken from the patent in suit and explain its technical doctrine by means of preferred embodiments:

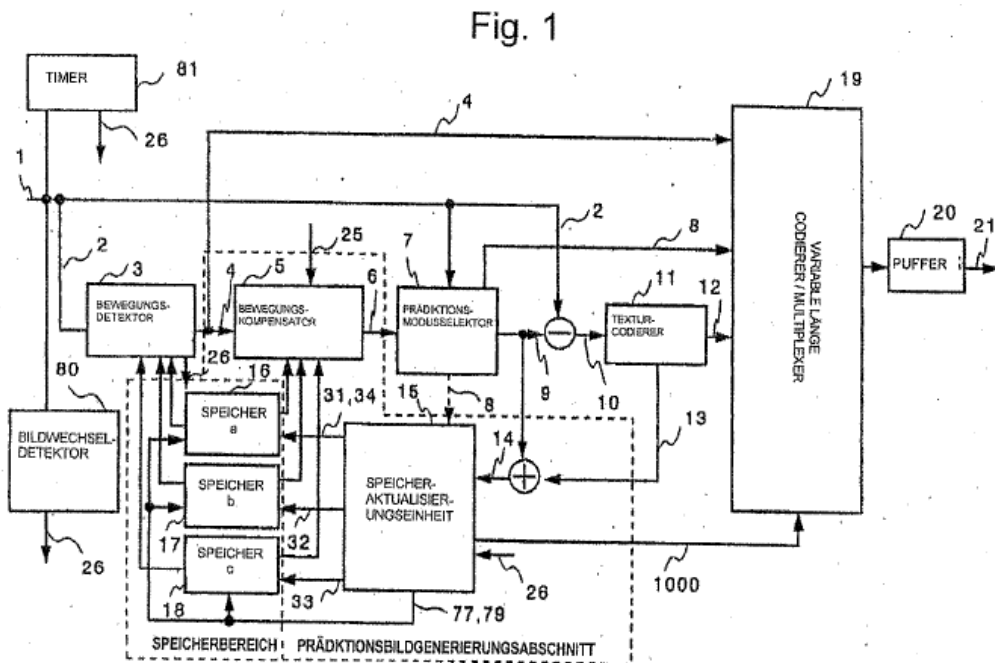


Fig. 2

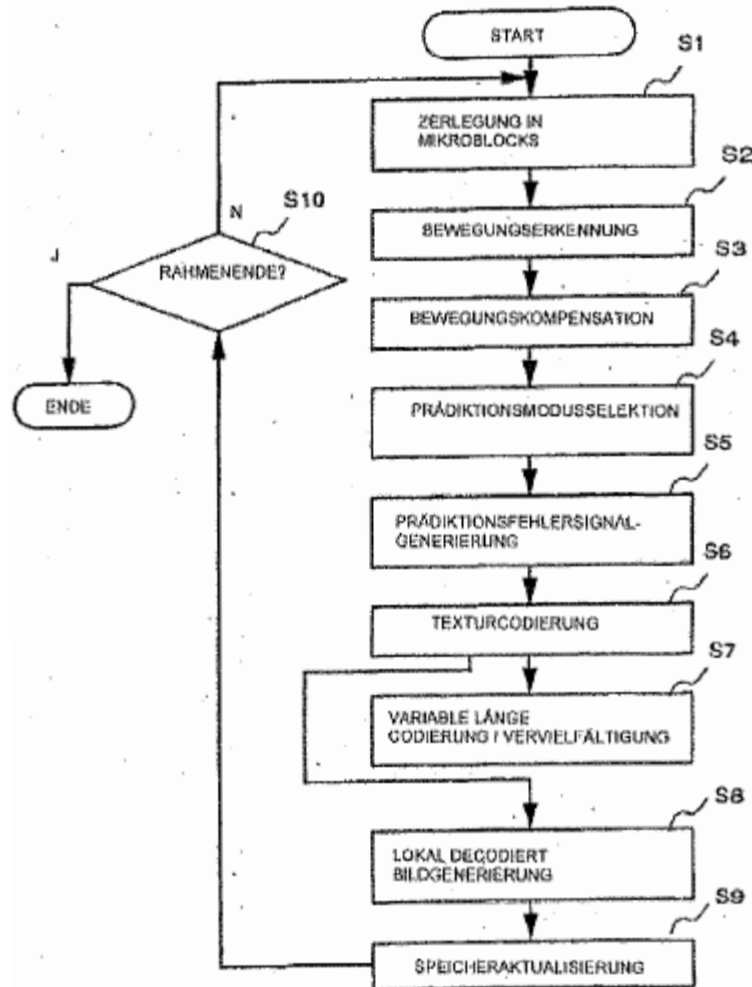


Fig. 19

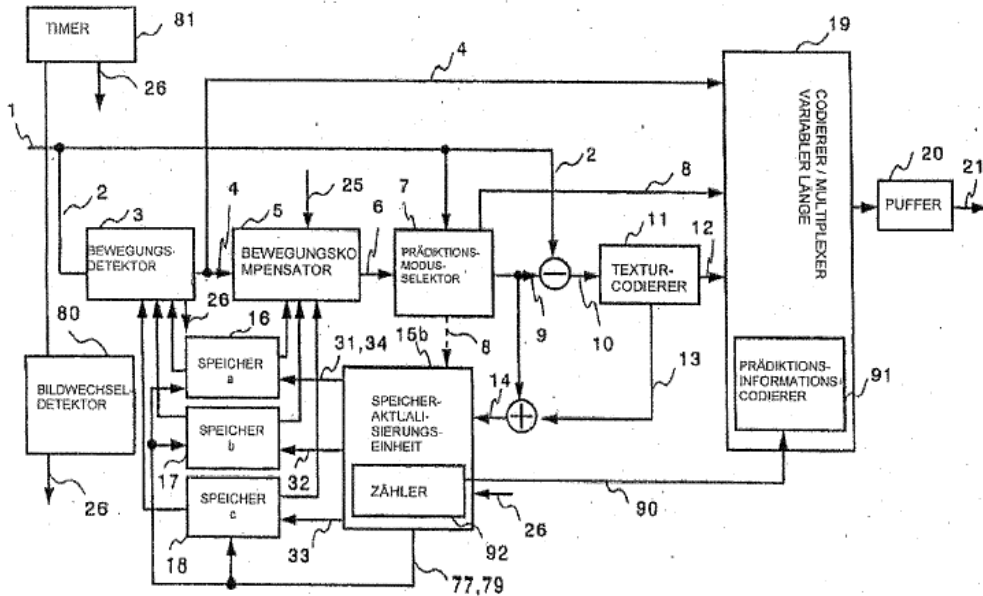


Figure 1 shows a structure diagram of a motion-picture encoder and Figure 2 shows a flowchart of the operation of such a motion-picture encoder. Figure 19 shows the structure diagram of a motion picture encoder according to a form of the invention.

The defendant is a German subsidiary of the Chinese [REDACTED] group, which distributes, inter alia, the mobile terminals with the following model designations (hereinafter: challenged embodiments) in Germany:

- P9
- P9 Plus
- P Lite
- GX8
- Mate S
- Mate 8
- Nova
- Nova Plus

The International Telecommunication Union (ITU) developed the video compression standard ISO/IEC 14496-10. In 2001, the ITU Group merged with MPEG-Visual and continued the development jointly. The aim of the project was to design a compression method that would reduce the required data rate by at least half compared to previous standards for mobile applications as well as for TV and HD while maintaining the same quality. In 2003, the standard was adopted by both organisations with identical wording. The ITU designation is H.264. For ISO/IEC MPEG, the standard is referred to as MPEG-4/AVC (Advanced Video Coding). It is the tenth part of the MPEG-4 standard for ISO/IEC No. 14496-10 (eighth edition 01.09.2014; excerpts submitted as Annex K 5, excerpts submitted in German translation as Annex K 5a, hereinafter referred to as "Annex K 5a"): AVC standard).

The patent in suit is part of an AVC/H.264 patent pool (hereinafter: patent pool). The patent pool currently comprises approximately 5,000 patents, which, including the plaintiff, have been contributed by almost 40 patent holders (see Annex K 10 - Exhibit C, Exhibit D). The pool is managed by [REDACTED] (hereinafter referred to as [REDACTED]).

[REDACTED] as pool administrator has concluded more than 1,400 pool license agreements (AVC PPL) with worldwide validity. The license agreement for the AVC standard is a standard license agreement that can be downloaded from the [REDACTED] website at [REDACTED] and viewed by anyone (Annex K 10 - Exhibit G). The same applies to a list of the intellectual property rights included in this agreement and the associated claim charts or cross-reference charts, which is intended to demonstrate the standard essence by comparing patent rights and specific sections of the standard. In addition, both a list of the approximately 40 licensors and a list of licensees are published on the [REDACTED] website (Annex K 10 - Exhibit C; Annex K 10 - Exhibit F).

In particular the following regulations in German translation are subject of the standard license agreement:

"[Preamble]

[...]

Each Licensor hereby commits to make available individual licenses and/or sublicenses under any and all AVC Essential Patents licensable



or sub-licensable by the Licensor (without payment to any third party) to any individual, company or other entity requiring such a license and/or sublicense on fair, reasonable and nondiscriminatory terms and conditions in light of the terms offered herein.

Each Licensor has granted the Licensing Administrator a worldwide, nonexclusive license and/or sublicense under all AVC Essential Patents licensable or sub-licensable by the Licensor without payment to any third party to allow the Licensing Administrator to grant worldwide, nonexclusive sublicenses under all such AVC Essential Patent(s) under the terms hereof.

[...]

Nothing in this Agreement precludes the respective Licensors from licensing or sublicensing rights under individual AVC Essential Patent(s) to make, use, sell, or offer to sell products or processes including, but not limited to, the rights licensed in the AVC Patent Portfolio License.

[...]

## 2. Licensing administrator grant

### 2.1

AVC products. Subject to the terms and conditions of this Agreement (including, without limitation, Articles 3 and 7), the Licensing Administrator hereby grants to a Codec Licensee a royalty-bearing, worldwide, nonexclusive, nontransferable sublicense under all AVC Essential Patent(s) in the AVC Patent Portfolio to make, have made, Sell or offer for Sale an AVC Product, and [...].

[...]

## 3.

### Royalties and payment

#### 3.1

Royalties for Licenses under AVC Essential Patents in the AVC Patent Portfolio. For those licenses offered in Article 2 hereof under AVC Essential Patents in the AVC Patent Portfolio, Licensee shall pay to the Licensing Administrator, for the benefit of Licensors, throughout the term of this Agreement, the applicable royalties as follows

##### 3.1.1

AVC product(s). Subject to the limitation of Article 3.1.9, the royalty in any Calendar Year for the sublicense granted pursuant to Section 2.1 hereof upon the Sale after December 31, 2004 of each AVC Encoder, each AVC Decoder or each AVC Codec (each AVC Encoder, AVC Decoder or AVC Codec shall be referred to in this Article as a "Unit")

whether one or more Units are incorporated in a single product shall be as follows:

<u>Unit Sales In Any Calendar Year After December 31, 2004</u>	<u>Royalties Payable</u>
0 to 100,000 Units	\$ 0.00
100,001 to 5,000,000 Units	\$ 0.20 per Unit
Units in excess of 5,000,000	\$ 0.10 per Unit

In no event, however, shall the royalty for the sublicense granted in Section 2.1 hereof in any Calendar Year exceed the amounts specified below for the combined Sales of AVC Products of a Licensee and each of its Affiliates:

<u>Calendar Year</u>	<u>Royalties Payable by Enterprise per Year</u>
Sales in 2005 and 2006	\$3,500,000
Sales in 2007 and 2008	\$4,250,000
Sales in 2009 and 2010	\$5,000,000
Sales in 2011 through 2015	\$6,500,000
Sales in 2016	\$8,125,000
Sales in 2017 through 2020	\$9,750,000 "

Further provisions on the scope of the license granted are provided for in Clause 2.2 to Clause 2.10, where Clause 2.9 states:

"Subject to Article 3.1.7, the sublicenses granted in Sections 2.1 through 2.7 of this Agreement do not include the right of the Licensee to grant any further sublicenses. The Licensing Administrator is willing to offer an AVC Patent Portfolio License to any Affiliate of Licensee."

Finally, a "Codec Licensee" under Clause 1.17 of the Standard License Agreement means a person or entity who sells an AVC Product to (i) a Codec Licensee Customer (see Clause 1.18 of the Agreement) or (ii) an End User.

In addition, reference is made to the standard license agreement because of its further content.

The AVC standard contains various conditions, so-called profiles, which in turn consist of various features. The profiles are subdivided into the categories Baseline, Extended, Main and High (Annex B 35; cf. Annex B 37, Appendix to the Standard). The compromised designs are compatible with the AVC standard.

Already in 2008 negotiations with respect to the grant of a pool license between the [REDACTED] Group, namely the [REDACTED] [REDACTED] USA, hereinafter [REDACTED] USA') as a subsidiary of [REDACTED] [REDACTED] China (hereinafter [REDACTED]'), which is also the parent company of the local defendants, and [REDACTED] took place. This license should initially cover the MPEG-2 standard. A standard license agreement to this effect was submitted by [REDACTED] to [REDACTED] USA on November 3, 2008 (Annex B 5).

The subsequent correspondence in 2009 was mainly conducted by [REDACTED] USA's Vice President Mr. [REDACTED] and Mr. [REDACTED] (hereinafter: [REDACTED]) and by [REDACTED] Vice President [REDACTED] and Vice President Licensing Mr. [REDACTED]. By e-mail dated 16 February 2009, Mr [REDACTED] was informed by Mr [REDACTED] that a package containing license agreements relating to the MPEG-2, MPEG-4 Visual (Part2) and AVC/H.264 (MPEG-4 Part 10) standards had been sent (Annex B 7), which Mr. [REDACTED] confirmed by e-mail dated 26 February 2009 (Annex B 8). During the contract negotiations, which also in 2009 primarily related to the MPEG-2 standard, [REDACTED] USA intended to become a contractual partner of any license agreements, as it is the company relevant for distribution in the USA. [REDACTED], on the other hand, insisted on licensing by the parent company. In this context, [REDACTED] informed [REDACTED] by e-mail dated March 18, 2009 (Annex B 9) that it was aware that companies such as [REDACTED], [REDACTED], [REDACTED], [REDACTED] were licensed under the MPEG-2 standard in the same way as the "[REDACTED]." of the [REDACTED] Group, each independently of its parent companies.

After further e-mails, teleconferences and personal meetings (see Annexes B 10 to B 12), [REDACTED] USA, in consultation with its parent company, submitted a license offer, which now envisaged [REDACTED] as the licensee and determined that the Chinese market should be excluded from the license agreement with regard to its scope. The Chinese market should be specifically contractually regulated at a later stage. As a

result, [REDACTED] rejected this approach because [REDACTED] USA and [REDACTED] were not willing to make a formal declaration that the Chinese market would be licensed at a later date.

[REDACTED] informed [REDACTED] USA by e-mail dated 6 September 2011 (Annex B 21), addressed to Mr. [REDACTED] ([REDACTED] USA), that it would distribute smartphones and tablets ("mobile handset products") which would make use of the standard at issue (Annex K 10-Exhibit A). At the same time [REDACTED] sent a patent list (Annex K 10 Exhibit-F). [REDACTED] had already submitted to the [REDACTED] Group the license offer regarding the MPEG-2 standard as shown in Annex K 10-Exhibit G in November 2008 (Annex B 5), February 2009 (Annex B 7) and November 2009 (Annex B 13). The electronic documents sent by e-mail on 6 September 2011 were sent to [REDACTED] by post in February 2012 (Annex B 22).

The [REDACTED] Group responded through Mr. [REDACTED] on 15 September 2011 to the offer made and requested further discussions on this matter (Annex B 23).

[REDACTED] USA reiterated its request by e-mail dated 21 February 2012 (Annex B 25) to only take a license itself with reference to subsidiaries such as [REDACTED] [REDACTED] and [REDACTED], whose parent company is not licensed.

In the period that followed, making appointments proved to be difficult. In particular, appointed personal came. Meeting between high-ranking employees of [REDACTED] and [REDACTED] several times not possible (Annex K 10-Exhibit A, I). As a result, further contact attempts did not lead to the conclusion of a license agreement. Instead, the license negotiations broke off in the middle of 2016. At a meeting on July 20, 2016, [REDACTED] [REDACTED] asked whether, among other things, claim charts would be submitted to potential licensees to review the alleged infringement (Annex B 28), which they denied with reference to the standard essentiality of all patents.

In the course of the litigation in this case, the defendant submitted an initial counteroffer dated July 3, 2017 (Annex B 4) as part of its response. The first counteroffer was made to the applicant by [REDACTED] [REDACTED], [REDACTED] [REDACTED] [REDACTED] and [REDACTED] [REDACTED] all established in China. The offer

was based on the standard license agreement and was graded according to the number of units, but with different license rates for different regional markets (USA: 3.8 US cents/1.9 US cents; EU 1 US cent/0.5 US cents as well as VRC and other 0.55 US cents/0.27 US cents). The definition of "China and others" covers, according to paragraph 1, China and the rest of the world with the exception of Europe and the USA. The plaintiff did not accept that offer.

By letter of 14 December 2017 (Annex B 57), the defendant submitted to the plaintiff an irrevocable bank guarantee from the Industrial and Commercial Bank of China. At the same time, the defendant announced the prompt settlement of royalty due pursuant to Sections 4.4 and 4.5 of the First License Offer. By letter dated 12 September 2018 (Annex B 60), the defendant submitted a supplementary bank guarantee to the plaintiff.

By letter of 30 October 2018, the defendant submitted a second counter-offer (Annex B 61), which it sent to the plaintiff by letter of 29 October 2018 (Annex B 63), together with a statement of royalties for the period from January 2009 to December 2017. In contrast to the first offer, the defendant now offers a worldwide uniform license of 5.23/2.61 US cents without regional differentiation, but only for all patents of the plaintiff that are essential for the AVC standard at issue. The defendant calculated the royalty rate pro rata from the amount to which the plaintiff is entitled according to the defendants' opinion according to the number of its patents in proportion to the number of all patents in the patent pool, including a surcharge of 19% for the plaintiff's additional expenses due to licensing outside the pool. The entry into force of the contract is determined by the plaintiff's acceptance. Violations in the past are remunerated on the basis of the license rates offered. At the hearing, the plaintiff also rejected that offer.

The FRAND moderation of the license offer and that of the two counter offers are in dispute between the parties. Other pool members ( [REDACTED], [REDACTED] [REDACTED]; [REDACTED] ) are also litigating against the defendant. In these proceedings, too, the defendant agreed to conclude individual portfolio policy agreements.

The plaintiff believes that the H.264 standard makes use of the doctrine of the patent in suit, so that the infringement of the asserted procedural claim already

results from the - in this respect undisputedly existing - possibility of reproduction of the video coded according to the H.264 standard by the challenged embodiments. It is harmless that the standard merely specifies the decoding process, since it is a mandatory requirement that the decoding process fully corresponds to the upstream coding process. The allocation of the code to the reference memory number also takes place dynamically in the standard, since it depends not only on the respective reference memory, but also on its contents. In this respect, the content of the respective memory changes depending on which of the images stored as reference is requested how often.

It considers that the storage and playback of videos produced according to the standard constitutes use of a direct procedural product within the meaning of Sec. 9 sentence 2 no. 3 PatG by the (commercial) purchasers of the defendant. Since the defendant offered and supplied the mobile phones for storage and playback, it had to take responsibility for this patent infringement, taking into account the principles of "Störerhaftung" (Breach of Duty of Care). In the legal consequence, this liability corresponds to the liability of a patent infringer for an indirect patent infringement.

The realization of the protected doctrine also stems from the fact that the challenged embodiments included the Google Chrome browser, which used the FFmpeg codec to play H.264-encoded video files. The same could be seen in the open source parts of the browser Chromium, which can be viewed by everyone.

The plaintiff submits that it has fulfilled its antitrust obligations towards the defendant. The plaintiff considers that it acted in the manner of FRAND. The relevant test to be applied is the criteria set out in the Orange Book case-law.

The plaintiff claims that ██████████ was authorized to negotiate and conclude contracts, for which the defendant declares itself ignorant. This is also known in the licensing and electronics industry. In the preamble to the license agreements, ██████████, which is undisputed, is referred to as the 'Licensing Administrator'. This makes it clear that ██████████ does not grant the pool licenses in its own name, but as sublicenses. In any event, it is effective for the plaintiff. Similarly, on the liabilities side, it is legitimate to want to close a pool license with the defendant's parent company. Moreover, the defendant would pursue this intention itself in the license

offers submitted by it (see Annex B 4, B 61), since the Chinese parent company was indicated as the licensee.

The plaintiff submits that the e-mail of 6 September 2011 contains a sufficiently concrete indication of the infringement and that more concrete information on the alleged infringement was not necessary. In particular, the availability of further information on the Internet on the publicly accessible website of [REDACTED] was sufficient to meet the requirements of the infringement notice. Furthermore, [REDACTED] was aware of the need for a license from the previous contract negotiations.

According to the plaintiff, [REDACTED] did not signal its willingness to license. Any interruption of the contract negotiations in the meantime is to be attributed to them. In that regard, the plaintiff submits that it was ultimately the defendant side which no longer conducted contract negotiations. It had expressed its disinterest in the submitted standard pool license agreement by e-mail of 28 September 2016 (see Annex K 17) and had consistently insisted that the American subsidiary shall take a license.

With regard to the license offers submitted undisputedly, the plaintiff submits that the proposed rules meet the FRAND requirements. The way in which the license fee is calculated is sufficiently clear from the license offer; the market acceptance of the license fees in any event follows from the large number of license agreements concluded.

The plaintiff submits that the inclusion of the Chinese market in the pool license agreement is not discriminatory against the defendant or the [REDACTED] group. In this respect, it alleges that large non-China companies active in the electrical sector ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], etc.) have taken a worldwide pool license without losing competitiveness on the Chinese market to unlicensed competitors. In addition, the plaintiff claims that the Chinese market plays only a minor role for [REDACTED] since its market share is only 17,1 %. Reference is made to the tabular presentation on page 47 of the letter of 4 December 2017 (Bl. 225 GA).

Furthermore, the plaintiff claims that, according to previous licensing practice, there are also no license agreements concluded to the exclusion of commercial activities on the Chinese market. The reason for the fact that the seven largest competitors of

██████████ (██████████, ██████████, ██████████, ██████████ and ██████████ ██████████) based in China are undisputedly not licensed is their vehement refusal to license, even though ██████████ has entered into corresponding correspondence with them. Licensing only by ██████████ USA or another company belonging to the ██████████ group which, in any event, is not active on the Chinese market, is therefore inadequate and not customary in the sector, as the many contracts concluded would show.

The plaintiff submits that the worldwide uniform license rate, without providing for lower license rates for the Chinese market, is justified because there are no significant price differences between the mobile terminals sold in the USA, China and Europe (see Table BI. 227 GA).

Nor is there any structural imbalance in the IPRs included in the pool. From the defendant's own overview (Annex B 31) it follows that patent rights in force in China would have the fourth largest participation in the license pool.

The maximum amount clause provided for in clause 3.1.1 of the standard license agreement would not lead to any disadvantage for the defendant, since on the one hand smaller companies would also reach this limit and on the other hand ██████████ would already reach and exceed this amount with its non-Chinese business. In addition, this clause was accepted in the numerous license agreements concluded.

The plaintiff claims that investigations into the contested designs have shown that ██████████ products contain all three standard profiles (Annex K 8). The plaintiff argues that this justifies including all profiles in the standard license agreement.

The absence of an adjustment clause is harmless. The clause contained in point 4.9 of the standard license agreement had been accepted 1,400 times; certain lump sums were necessary. Moreover, it is also undisputed that there were no adjustments in fees when the number of patents included in the pool increased.

The license agreements submitted are capable of demonstrating the customary nature of the sector. The fact that some of them have different page numbers is due to content



adjustments and changes over the years. If the defendant invokes an individual license agreement concluded with the pool member [REDACTED], its relevance for the question of the FRAND conformity of the license offer or the existing indicative effect of the license agreements is unclear. The 3GPP patent portfolio already affects a standard other than the AVC standard; furthermore, there are no indications that the defendant would have made use of its "pick right". In addition, [REDACTED] had signaled that it would take this existing individual license agreement into account and, after concluding the standard license agreement with [REDACTED] would reimburse any license fees paid to [REDACTED] pro rata to [REDACTED]

The individual portfolio policy on the applicant's standard essential patents sought by the defendant is not FRAND. As the applicant claims, the licensing practice has developed over the years into a pool license. The preamble contained in the license agreement is historical and dates from a time when there had not yet been any practice in the field of licensing the standard.

The granting of instalment payments for license debts in the past or a repayment schedule is not equivalent to any discount. These measures would also be offered to all licensees.

Moreover, the counteroffer does not comply with the FRAND principles since the different license rates listed for different contract territories (USA, Europe, China and others) are not justified. In particular, it is not clear why, in addition to China, the same license rates as in China should also apply to other regions, including the high-priced Japanese market. Furthermore, the average prices in China were also comparable to those in the USA and Europe.

The defendant is not entitled to conclude an individual portfolio policy. Although such a possibility was provided for in the preamble to the standard license agreement, it was practically never used. This would be demonstrated by the more than 1,400 pool license agreements concluded. The customary practice in the industry had developed towards such contracts. For this reason, too, the defendant's counter-offer should not be regarded as FRAND, especially as there are no objective reasons why [REDACTED] insists on such a license.

Furthermore, the plaintiff considers that the patent in suit will prove to be valid in the decision on the action for annulment brought by the defendant.

Since the dispute has been declared partially settled by agreement between the parties, the plaintiff requests:

to decide, as claimed.

The defendant claims that the Court should

dismiss the action;

alternatively

suspend the proceedings until a final decision has been reached on the action for annulment pending before the Bundespatentgericht (Federal Patent Court) regarding the patent in suit.

The defendant argues that the patent in suit is not standard essential for the H.264 standard, since the standard only defines the decoding process, whereas the patent in suit only concerns the encoding process. Moreover, the challenged embodiments did not implement the technical doctrine of the patent in suit in a literal sense either. In this respect, it claims that the code allocation to the reference memory number in the standard is static and not dynamic as required by the patent in suit. The use of Exp-Golomb codes in the standard means that a reference memory number is always assigned the same code, whereas it is irrelevant whether the content of the memory changes.

To the extent that the plaintiff pleads direct infringement of the patent in suit by the defendant's customers and liability on the part of the defendant as a disruptive party, this cannot substantiate claims, since, according to plaintiff's own submission, it is not apparent that there are videos which have not been produced under a license to the H.264 standard and to this extent exhaustion has occurred.

The defendant takes the view that the FRAND objection raised by it prevails. It submits that the plaintiff and ██████████ did not behave in accordance with FRAND. This question had to be examined on the basis of the criteria laid down in the ECJ decision ██████████/██████.

First, the defendant considers that there are no effective legal acts on the part of the applicant, since it was not it but ██████████ which intervened without having clear legal authority to do so.

The notice of infringement was insufficient. More detailed explanations of the alleged infringement and the property rights concerned would have been necessary, since it is undisputed that ██████████ itself does not hold any standard essential patents. It is therefore not familiar with the technology at issue. Already during the contract negotiations, the defendant claims, the ██████████ Group doubted the essential nature of the patents and their infringement.

The defendant or the ██████████ group had been ready for licensing at all times; this would be extensively documented by the e-mail correspondence (Annexes B 8-10, B 12, B 14 and B 23). The ██████████ is to blame for interruptions in negotiations in the meantime.

There was no effective license offer within the meaning of the FRAND conditions. The plaintiff itself did not make any offer at all, not even an offer for an individual portfolio license, which is undisputed between the parties. Furthermore, ██████████ offer does not constitute an offer attributable to the plaintiff. This also applies accordingly to other pre-trial activities of ██████████.

Furthermore, the submitted license offer did not contain a legally binding offer, since these documents only served the view and were accordingly entitled 'Sample' and were not signed by ██████████. In addition, ██████████ had stated in the notice of infringement regarding the documents sent that they were not binding.

The defendant claims that not all patents contained in the pool are standard essential. This was the result of out-of-court investigations commissioned by the Indian company "██████████", according to which 50 % of the intellectual property rights in the entire pool and 59 % in the plaintiff's specific portfolio and 70 % of the intellectual property rights in all four plaintiffs, who until recently were involved in parallel patent disputes before the Düsseldorf Regional Court, were not standard essential (cf. Annexes B 39, B 40), which the plaintiff denies with ignorance. The inclusion of non-essential patents (NEPs) is based on the ISO Standardization Organization, which patent holders do not require to disclose patent numbers etc.. The ease of declaration would also be demonstrated by the model application forms (Annexes B 39, B 40). According to the defendant, the patent pool was therefore

created in violation of antitrust law and the submission of a FRAND offer was not possible. Even on the basis of the corrected figures (Annex B 51), it remained the case that non-essential patents had essentially been included in the pool. This was also due to the fact that an over-declaration of alleged SEPs took place. Thus, as the defendant claims, nonproducing companies such as [REDACTED] were founded solely for the purpose of increasing the number of intellectual property rights.

The inclusion of the Chinese business in the pool license is discriminatory. The defendant claims that such a contractual arrangement deviates from the previous licensing practice. So far, there has been no license agreement involving the Chinese market. No Chinese producer using AVC technology has a license. Moreover, the defendant's company is not comparable to a multi-product company; it is a one-product company which only manufactures smartphones. A worldwide uniform license rate would not take into account the fact that different sales prices are achieved in different sales markets. Especially on the Chinese market, the number of units sold and the turnover generated would differ widely. The uniform license rate affects [REDACTED] above all because China is its largest sales market.

The defendant is also of the opinion that the "royalty cap" contained in Section 3.1.1 of the license agreement is discriminatory as it is significantly impeded in its competitive behavior. Firstly, and this is undisputed, up to a quantity of 5 million units and a graduated license for each unit sold thereafter are provided for. In addition, however, a maximum amount is regulated, with the result that each additional unit sold no longer triggers a license fee once this limit has been reached. The effective license rate is therefore well below the differentiated amount. The maximum amount for 2017 was USD 8,125 million. Such a scheme favors licensees who would generate a high turnover with a broad product portfolio. For example, in 2016, after both [REDACTED] and [REDACTED] had exceeded the current ceiling, the effective license rate for [REDACTED] would be USD 2.3, whereas that for [REDACTED] would be USD 5.1.

It is also discriminatory that the license offer does not contain an adjustment clause in order to allow a fee adjustment in the event of revocation or expiration of a patent.

Furthermore, the inclusion in the license offer of all the profiles making up the standard at issue in the present case is discriminatory, since - as the defendant claims - the realization of all the profiles in mobile devices is not compulsory and is not actually the case in the forms of design at issue (Annex B 35). The inclusion of all intellectual property rights and profiles in the license agreement does not sufficiently take into account the difference between multi-product manufacturers and such one-product companies as [REDACTED] which would exclusively use mobile telephony patents/profiles. The fee structure of the HEVC standard now provides for such a differentiation (Annex B 38).

The licensing practice is highly selective. The decisive factor is licensing on the mobile telephone product market. Looking at this relevant market, on the basis of a worldwide analysis by number of units, 56% were not licensed in a period from 2017 up to and including the second quarter of 2018. Of the 44% of the licensed market, 42% are members of the [REDACTED] Pool. Thus, only 2% of the market is licensee and not pool member at the same time. Such a licensing practice is not meaningful and no reliable conclusions can be drawn from this for the market acceptance of the standard license by [REDACTED].

The fact that all of the approximately 1,400 contracts could contain uniform regulations is contradicted by the fact that some of the license contracts submitted are already being considered. The contracts submitted are therefore, taken as a whole, unsuitable for demonstrating the FRAND character.

For example, the [REDACTED] contract submitted refers to a specific order form with which the contract alone applies (Annex K 34 to Annex B 65). Some contracts were incomplete or with page deviations - not all contracts counted 32 pages. Changes in content cannot therefore be ruled out. Any extension notifications were not available. Annex 1 to the Standard License Agreement, which contains information on licensors and licensed patents, appears to define the subject matter of the license. The fact that it was submitted in respect of only one contract indicates that individually divergent agreements exist. The comparison of the submitted Annex 1 with the currently available patent list shows a completely different portfolio of industrial property rights. From the overview submitted by the applicant in Annex K 14, in the third column 'Associated Contracts', there are at least four different types of contract, with USD amounts allocated to each type, some of which differ considerably (\$ 0.35 to \$ 2.50).

Finally, the fact that defendant's group companies concluded an individual license agreement with [REDACTED], which is also a pool member, for the entire portfolio of 3GPP/3GPP2 essential patents speaks against the assumption that the standard license agreement is so widespread in the market. The agreement provides for a style retention agreement according to which [REDACTED] cannot successfully assert claims from other SEPs, in particular those which can be read on the AVC standard, against the defendant's group companies. Here the group companies had the option, by unilateral declaration to [REDACTED], to enter into a license with respect to these other SEPs as well (so-called "pick right") if [REDACTED] asserted the corresponding patents. However, any license fee claims from these additional SEPs had already been settled with the payments for 3GPP/3GPP2. The conclusion of a license agreement on substantially different terms - as here - could therefore conflict with the FRAND character of the plaintiff's offer.

Since [REDACTED] had also 'made the possibilities of instalment payments/one-off payments, including discounts, available, this would suggest that such differentiated arrangements had also been made with other licensees.

The defendant denies with ignorance that at no time (even) did licensors conclude individual licenses outside the pool.

The defendant considers that, in any event, its second license offer is FRAND-compliant. It made adjustments in response to the applicant's criticisms. In particular, it would no longer adhere to the division of the world market and the different license rates.

With regard to the requested accounting, the applicant could not request any information on production costs and profits, since it had issued a FRAND declaration and the damages owed were limited to the license analogy.

The defendant is of the opinion that the patent action will not prove to be legally valid in the decision on the nullity action pending before the Federal Patent Court. In particular, the technical teaching claimed by him was not new and had in any case been suggested by the state of the art.

In addition, reference shall be made to the pleadings exchanged between the parties and to the documents filed in the files in respect of the further details of the facts and dispute.

### **Reasons for decision:**

The admissible action has - insofar as it has not been declared partially settled - been successful in its substance.

#### **A.**

The action is well founded.

#### **I.**

The patent in suit relates to a system for predicting moving images, in particular a method for predicting and coding an implemented moving image.

(Motion) prediction is a technology for compressing images with the aim of saving data volume. Instead of always transmitting all image information for each individual image of a video sequence, the prediction takes advantage of the fact that there are redundancies when several consecutive images resemble each other, i.e. differ only in a few parts of the image. If the image contents of an image to be coded match those of reference images, but these are only shifted, the data of the already transmitted images can be used, so that only a small amount of information has to be transmitted. The information to be transmitted in ISO/IEC 14496-10 (hereinafter: H.264 or AVC standard) includes in particular motion vectors and/or distortion parameters. However, this technique requires that the reference image(s) can be stored in at least one memory so that they can be accessed.

In paragraphs [0002] to [0038], the patent in suit describes various compression techniques that are applied within the framework of the MPEG-4 video encoding/decoding control model (verification model, in short: VM) known in the state of the art. As the patent in sit in paragraph [0003] states, the VM is a system for encoding/decoding each video object as a unit with respect to a motion picture

sequence, which is a sum of video objects that change shape arbitrarily periodically. According to the VM, a time-based motion picture object is called a Video Object (VO), while image data, which represents each time instance of the VO as a coding unit, is called a Video Object Layer (VOP). If the VO is layered in time/space, a special unit called the video object layer (VOL) is provided between the VO and the VOP to represent a layered VO structure. Each VOP includes shape and texture information to be separated.

As the patent in suit in paragraph [0013] further states, the VM knows four different types of VOP encoding (I-VOP, P-VOP, B-VOP and SPRITE-VOP), each type of encoding being associated with a prediction type or method (no prediction, prediction based on previous VOP, prediction also based on future VOP and SPRITE-based prediction). In accordance with the prediction system mentioned above in the well-known coding system, the video object is predicted using the memory intended for use only to detect the motion vector and the memory designed exclusively for determining the distortion parameter, both of which structurally allow maximum use of a single screen (see paragraph [0034]).

The patent in suit criticizes the well-known prediction systems that the memories are only suitable for storing one reference image at a time and that therefore only a limited number of reference images are available for prediction, which prevents a sufficient improvement in prediction efficiency.

As previously known, the patent in suit in paragraph [0037] also recognizes EP [REDACTED] A2, which discloses a motion picture prediction and an encoding method for predicting a motion picture implemented in an encoder, including a plurality of reference picture memories, for storing the image data of a plurality of reference pictures to be used for the prediction, the motion picture prediction and the encoding method comprising the steps of obtaining a parameter representing a movement of an image segment to be predicted and a reference memory number, and generating a predicted image based on the parameter using the image data of the reference image memory to be used for the prediction.

Against this background, the task (the technical problem) of the patent in suit is to provide a prediction method for the encoding/decoding of image data, in which two



or more memories are provided in order to provide the previous recordings of the motion picture sequence taking into account the internal structure and characteristics of the motion picture sequence, thereby achieving both highly efficient prediction and highly efficient encoding/decoding (see paragraph [0038]).

This task will be solved by a procedure according to claim 1 of the patent in suit, which can be divided into the following features:

1. Moving picture prediction and encoding method for predicting a moving picture to be implemented in an encoder,
2. including a plurality of reference picture memories for storing picture data of a plurality of reference pictures to be used for prediction
  - the moving picture prediction and encoding method comprising the steps of:
3. Receiving
  - 3.1. a parameter representing a motion of a picture segment to be predicted and
  - 3.2. a reference memory number indicating a reference picture memory to be used for prediction,
4. generating a predicted picture based upon the parameter by using the picture data stored in the reference picture memory indicated by the reference memory number, and
5. encoding the reference memory number according to information that dynamically determines a code allocation to the reference memory number based on the frequency of use of the respective memories for the prediction.

## II.

There is - rightly - no dispute between the parties that the H.264 standard makes use of features or feature groups 1 to 4. The same also applies to the disputed feature 5, with the result that the standard essentiality of the patent in suit could be established. In detail:

### 1.

The H.264 standard also makes use of feature 5, according to which the reference memory number is coded according to information that dynamically determines a code allocation to the reference memory number based on the frequency of use of the respective memories for the prediction.

**a)**

According to feature 1. of the asserted method claim, the patent in suit concerns a method to be implemented in an encoder for predicting and encoding moving images for predicting a moving image. According to feature 2, this encoder shall contain multiple reference image memories for storing image data of multiple reference images to be used for prediction. The more detailed design of the procedure for predicting and coding moving images is then described in more detail in Features 3 to 5. Then, in a first step, a parameter representing a movement of an image segment to be predicted (feature 3.1.) and a reference memory number indicating a reference image memory to be used for the prediction (feature 3.2.) are to be received (feature 3.). A predicted image is then generated (feature 4.) and finally encoded based on the parameter by using the image data stored in the reference image memory indicated by the reference memory number, using the image data stored in the reference image memory indicated by the reference memory number, wherein feature 5. requires the reference memory number to be encoded according to information which dynamically allocates a code to the reference image memory number. Determine the reference memory number based on the frequency of use of each memory for the prediction.

The patent in suit reveals in the only learned claim exclusively a procedure concerning the coding of a signal sequence. However, it does not explain how this signal can/should be decoded to convert the encoded signal sequence into a video to be played back. Nevertheless, the patent in suit in the description (e.g. paragraph [0001]) states that the method is to be implemented in a "motion picture encoder/decoder". The average expert understands perfectly that the decoding of the signals must be carried out in the same way as the previous coding. Because this is the case, the decoding method must know how the image data to be decoded was encoded in each case.

The H.264 standard, on the other hand, only provides executions for decoding a standard signal sequence without explaining how this signal sequence is to be coded. To the extent that the plaintiff has submitted in writing that the H.264 standard on decoding necessarily leads to the conclusion that a corresponding coding method must be developed, since the decoding method must be a reciprocal development of the coding method, this is only a general assertion which was simply disputed by the defendant. Nevertheless, on the basis of the extensive observations of the parties as to whether the features of the claim have been transposed in the standard and in the

absence of any specific statement by the defendant as to the other connection between coding and decoding, it is clear to the Board of Appeal that coding and decoding have such a close, inseparable technical connection with decoding that coding and decoding must correspond mirror-invertedly. This means that all (process) steps must be found again during decoding, as they were carried out during the previous encoding, otherwise the goal of the (encoding) process, the correct reproduction of a video/signal sequence after decoding cannot be achieved.

It remains to be seen whether the interplay of encoding and decoding also requires that the individual (procedural) steps are processed in a certain, albeit reversed, order. This would only be relevant if - as is not the case here - it were clear that the specific chronological sequence of the (procedural) steps would be important. However, the parties have neither argued nor it is clear that the coding after the patent action depends on which of the two information (parameter or reference memory number) mentioned in feature group 3. is received first. The core of the theory according to the patent in suit is rather the question which of the images to be used for the generation of an image is stored in which memory and how the information to be transmitted is transmitted as efficiently as possible.

Therefore, for the question of whether the encoding method according to the patent in suit is relevant to the standard, it is solely a question of whether the decoding process described in more detail by the H.264 standard makes use of all the features described by the patent in suit. If, in fact, the H.264 standard uses all (procedural) steps covered by the patent in suit during the decoding process, there is no strong doubt from the point of view of the Board of Appeal that the patent in suit is or can be used for the coding of standard signal sequences due to the technically compelling connection between encoding and decoding.

**b)**

In the present case, it could be established that the standard also makes use of feature 5. which is the only one at issue in this respect.

According to feature 5, the reference memory number is encoded according to information that dynamically determines a code allocation to the reference memory number based on the frequency of use of the respective memories for the prediction.

The relevant reference memory number indicates - as feature 3.2 requires - the reference image memory to be used for the prediction.

The patent in suit depends on the most efficient possible encoding, i.e. an encoding in which the data volume to be transmitted is as small as possible, as evidenced by the task assigned to it. In this respect, the expert can infer from the claim that the patent in suit wants to achieve the reduction of the data volume by dynamically designing the code allocation to the respective reference memories in which the images required for the prediction are stored. The frequency of use of the images stored in the respective memory should be decisive for the decision as to which memory is to be coded and how or how the encoding must change. If the frequency changes in the course of the process, the encoding should be adjusted.

To the extent that feature 5. specifies encoding of the reference memory number, the skilled person first recognizes that the patent in suit understands by a reference memory number any information that allows the identification of the reference image memory to be used for the prediction. From this one would conclude that the reference memory number cannot be the (physical) address of a reference image memory or only the index of a list, as the defendant believes. Rather, the patent in suit understands the reference memory number as information identifying a particular (referenced) memory and the image it contains. Thus, a reference number according to the patent in suit does not only contain the index of a list, but also the list with the respective deposited images.

This interpretation results from the overall context of the wording of the claim, which determines the scope of protection of the patent in suit under the first sentence of Article 69(1) EPC. Pursuant to Art. 69 para. 1 sentence 1 EPC, the scope of protection of a patent is determined by the patent claims, whereby the description and drawings are also to be taken into account (Art. 69 para. 1 sentence 2 EPC). In the interpretation of the patent claim required for determining the scope of protection, it is not the linguistic or logical-scientific meaning of the terms used in the patent claim that is decisive, but their technical meaning, taking into account the task and solution as they objectively result from the patent for the expert addressed by the patent in suit (BGH, GRUR 1975, 422, 424 - Streckwalze). In this context, the meaning of the patent claim in its entirety and the contribution of the individual features to the performance of the patented invention must be taken into account

(BGH, GRUR 2007, 410, 413 - Kettenradanordnung). In principle, it is irrelevant whether a different understanding of a term used in the patent specification results from other documents lying outside the admissible interpretative material, as long as there are no indications in the patent specification that such an understanding is also to be taken as a basis in connection with the protected doctrine. Because the patent specification represents its own encyclopedia (BGH, GRUR 2002, 515ff. - Schneidmesser I; GRUR 1999, 909ff. - Spannschraube). In this respect, the patent specification should be read in a meaningful context and, in case of doubt, the patent claim should be understood in such a way that there are no contradictions to the explanations in the description and the pictorial representations in the drawings, but that they are understood as related parts of the technical doctrine made available to the skilled person with the patent as a meaningful whole (BGH, GRUR 2009, 653, 654 - Straßenbaumaschine; OLG Düsseldorf, Mitt. 1998, 179 - Mehrpole Steckverbinder). An example of execution does not normally allow a restrictive interpretation of a patent claim generally characterizing the invention (BGH, GRUR 2004, 1023, 1024f. - bodenseitigen Vereinzelungseinrichtung).

This understanding is reinforced by the description which must also be taken into account by an expert.

In paragraphs [0063] et seq., the patent in suit describes a first example in which the coding - undisputedly - is done statically on the basis of a variable length coding (VLC) and thus not in accordance with the patent in suit. However, paragraph [0077] also contains more general information on prediction. The prediction mode selector in example 1 then selects an image candidate suitable for the prediction, which is stored in a specific memory with an index and serves to generate a predicted image. The expert concludes from this that, according to the doctrine in accordance with the patent in suit, it is particularly important to know the content of the image (the image data) stored in the respective memory in order to take this into account in the reference memory number or its selection. In this respect, however, the expert also recognizes that the index alone cannot be the reference memory number, since the index alone reveals nothing about the content of the images stored in the respective memory. Contrary to the view of the defendants, example 1 is also part of the claimed doctrine, since example 1 refers to figures 1 and 3 of the patent in suit, among other things. Embodiment 1, which undisputedly falls under the doctrine of the patent in suit and which is described in paragraphs [0169] et seq., refers to Figure 19, wherein the encoder shown therein corresponds to the encoder from Figure 1, with the consequence that example 1 and the embodiment

are referred to in such a way that example 1 is also to be regarded as claimed.

The information intended to enable dynamic code allocation to the reference memory number on the basis of the frequency of use of the respective memories does not necessarily have to be a (calculated) number, contrary to the defendant's view.

This is not initially apparent from the wording of the claim, which speaks only in general terms of information obtained "on the basis of the frequency of use" of the respective memories. The fact that this information must be an exact (number), i.e. an exact value for each memory (e.g. concrete number of accesses within a certain time), does not result from the generalizing statement "based on the frequency of use", at least not necessarily. Something else does not result from the example of execution 1 either. In paragraph [0170] it first speaks of the fact that

"the memories may be sorted by the frequency of use for the prediction, the ranks being dynamically updated during an encoding operation".

This tells the expert that the code allocation is based on rank, i.e. the frequency of use. However, he does not conclude from this passage that the determination of ranks depends on the determination of fixed values. Rather, the patent in suit leaves it open and thus at the discretion of the skilled person, how he/she determines the frequency, whether he/she in particular makes an exact determination of the memory accesses or determines the frequency by other means, such as random sampling. In this respect, only paragraph [0171] reveals that a counter can also be integrated into the system which counts the number of uses of the respective memories. Paragraph [0171] therefore proposes the exact determination of the access frequency by means of a count, whereby this is to be regarded by the use of the word "can", however, reasonably as an option and not as a compelling default.

**c)**

Based on this understanding, the H.264 standard makes (also) use of feature 5 in decoding.

The parties have unanimously argued that the standard distinguishes between short-term and long-term reference images. Depending on whether a P, SP or B slice is to be encoded or decoded, there is either a single reference image list (RefPicList0) or an additional list (RefPicList1) for a second (reference) image in the B prediction. Each reference image list also has an index (e.g. refIdxL0 for the list RefPicList0).

The list reproduced below is, as the plaintiff claims, an example of a standard reference figurative list:

Index	0	1	2	3	4
Image	157	155	153	1	3

As can be seen from this list, the (short-term) reference image number 157 is assigned to index 0, while the (long-term) reference image number 1 is assigned to index 3. The index is encoded - also undisputedly - using the Exp-Golomb code, as shown in Table 9.1 of the standard (p. 222 of Annex K 5a) below.

Table 9-2 - Exp-Golomb bit strings and codeNum in explicit form and using ue(v) (informative)

Bitstring	codeNum
1	0
010	1
011	2
00100	3
00101	4
00110	5
00111	6
0001000	7
0001001	8
0001010	9
...	...

Then index 0, which refers to figure 157, is coded with one bit ("1"), indices 1 and 2 with three bits ("010" and "011") and indices 3 and 4 with five bits ("0100" and "00101"). This is important in that the volume of data increases when reference is increasingly made to images that correspond to indices with many bits.

In order to achieve the objective - also pursued by the patent in suit - of reducing the volume of data to be transmitted, the H.264 standard therefore stores images in index 0 which are to be used frequently, since only one bit needs to be coded at a time for the transmission of the memory, whereas in the example, when accessing the image with the number 153, about three bits (index 2) would have to be coded. If the frequency of access to the individual images changes in the course of the video, the list can be changed at any time via the parameters `modification_of_pics_nums_idc` and `abs_diff_pic_num_minus1` according to Section 7.4.3.1 of the standard, so that the following list results:

Index	0	1	2	3	4
Image	153	155	157	1	3

In this list, the (now very frequently used) image with the number 153 is assigned to index 0, with the result that it is no longer necessary to encode three bits but only one, whereas in the (now less frequently used) image with the number 157 three bits must be encoded instead of one.

Taking into account the already described understanding of the claim wording expert, not the index alone, but the index only in connection with the reference image list (`RefPicList0`) represents the reference memory number in accordance with the patent in suit. However, this list can be dynamically changed using the parameters `modification_of_pics_nums_idc` and `abs_diff_pic_num_minus1` so that the reference memory number is also dynamic.

The defendant's argument that the H.264 standard decoding process is static, since the index as such is static in the standard, is not altered in that regard and only the images stored in the respective memory are exchanged, does not catch the defendant's attention either. As previously explained, the reference picture list (`RefPicList0`) is part of the reference memory number and this list can - so far undisputedly - be adapted dynamically, i.e. according to requirements, dynamic coding as provided by feature 5 of the patent in suit is also carried out in the standard system.

The same applies to the defendant's argument that, in the standard version, the list of images is not re-sorted on the basis of a certain frequency, but on the basis of a temporal view/proximity of the individual images. This submission cannot be



understood even before the fact that the defendant has not identified anybody in the standard that could support this approach.

If, however, a dynamic is taken into account in the decoding, then a corresponding dynamic coding must also take place. This is because proper decoding requires that the parameters (motion vectors) required for prediction can be read correctly, i.e. that the correct memory is found. If, however, the memory for a certain image changes, this must be done on both the encoding and decoding sides, otherwise the correct parameter will not be used for decoding.

**d)**

The signal sequence obtained by the patent coding is a direct procedural product within the meaning of Sec. 9 S. 2 No. 3 Patent Law.

**1)**

Under Sec. 9, second sentence, no. 3, Patent Law, products which are directly manufactured by a patented process enjoy protection to the same extent as products which are the subject of a patent in kind are protected under Sec. 9, second sentence, no. 1, Patent Law. The background to the provision contained in Sec. 9, 2nd sentence, No. 3 Patent Law is the legislator's idea that the proprietor of a process patent cannot reasonably exploit the economic value of the invention to which he is entitled if, in addition to the offer and the application of the process (Sec. 9, 2nd sentence, No. 2 Patent Law), he does not also retain the right to trade in the products directly produced by the process (cf. Kühnen, Hdb. der Patentverletzung, 10th edition, Chapter A.), marginal 301; Schulte/Rinken, commentary on the Patent Law, 10th edition, § 9, marginal 100).

According to the meanwhile established case law of the supreme court, which is also shared by large parts of the literature, a sequence of video image data representing video images (signal sequence) is also to be regarded as a direct result of a production process, even if it does not constitute a physical object (see BGH GRUR 2012, 1230, 1233 - MPEG-2-Videosignalcodierung; the last: GRUR 2017, 261, 262f - receptor tyrosine kinase II; Kühnen, loc. cit., Chapter A, marginal 303). Because such a data sequence can be used as often as desired like a physical object, especially if it is played back several times. Its use therefore resembles that of a physical object.

However, in order to prevent excessive protection, only direct products of the proceedings are covered by the protection under Sec. 9, sentence 2, no. 3, Patent Law. In particular, not all products processed together with substances manufactured under a process patent should already be covered by this protection. The required immediacy is only given if it is a product which has arisen with the conclusion of all procedural steps of the protected procedure (Benkard/Scharen, Kommentar zum PatG, 11. Auflage, § 9, para. 55 m.w.N.). Direct process products which are the subject of a (pure) working procedure are also excluded from protection under Sec. 9, sentence 2, no. 3 Patent Law (for the delimitation of both procedures see BGH, GRUR 1998, 130 - Handhabungsgerät; 1990, 508 - Spreizdübel; 1986, 163 - Boron-containing steels; 1951, 314 - Motorblock; Schulte/Rinken, loc.cit., Sec. 9, para. 99). In contrast to the manufacturing process, such a repair/work process does not produce any new items, but only repairs or treats an item that can be used independently before repair or treatment, without creating a new item compared to the old item. This object is not to be regarded as a procedural product as long as the treated or repaired objects retain their existing purpose and function (see Benkard/Scharen, loc.cit., § 9, para. 54).

Taking these principles into account, a signal sequence coded by means of the procedure at issue in the dispute constitutes a direct procedural product in the sense of patent law. In particular, there are no indications that the protected procedure is a simple working procedure, as the defendant believes. The result of the sophisticated coding procedure is a signal sequence that did not exist before the coding, which was therefore only produced by the procedure.

### III.

The defendant's asserted antitrust compulsory license objection is not going to take action.

Irrespective of the fact that the defendant's objection under antitrust law to compulsory licensing cannot be raised against the filing of an action for accounting and damages - which in the present case is only the subject of the dispute - it is nevertheless considerable, since a given promise of licensing in favor of the infringer creates a substantive claim which is to be taken into account within the framework of how incidents of use are to be liquidated and, as a result, which data is to be

invoiced in advance. The obligation assumed by the owner of the industrial property right to allow the use of his market-dominating patent vis-à-vis anyone against an exploitation-free license reduces the claim for damages to the same FRAND license and the accompanying accounting to such information as is necessary for a license calculation. This applies as long as the patent holder does not meet his obligations to conclude a FRAND license agreement (OLG Düsseldorf, Urt. v. 30 March 2017, I-15 U 66/15, GRUR 2017, 1219, 1222 - Mobile communication system; LG Düsseldorf, Urt. v. 13 July 2017, 4a O 154/15, 4a O 154/15, recital 254 cited after juris; (Kühnen, loc. cit. chapter E, recital 387). In the process of determining damages, it is not yet necessary to determine whether the compensation owed is limited to a FRAND license fee; this is only to be investigated in the amount proceedings. The situation is different with regard to the accompanying accounting requirement, which in cases of justified objection does not include information on costs and profits.

However, the Board cannot find that the objection is well founded, i.e. that the plaintiff abused its dominant position (see 1 above)) (see 2 above).

### **1)**

The plaintiff holds a dominant position within the meaning of Article 102 TFEU.

### **a)**

"Dominance" means the economic power which allows an undertaking to prevent effective competition on the market (relevant in time, space and product) and to behave to a significant extent independently of its competitors, customers and consumers (ECJ ECR 78, 207 Rn 65 f). - United Brands; EuGH Slg 79, 461 Rn 38 f. - Hoffmann-La Roche; Kühnen, loc. cit., section E, marginal 214).

The necessary exact definition of the (product and geographic) market on which the company competes can be carried out by means of the so-called demand market concept (cf. Wiedemann, Kartellrecht, 3. Aufl. 2016, § 23 Rn. 11 ff m.w.N.). It is necessary to identify the competitive forces to which the undertakings concerned are subject. It also identifies those undertakings which are effectively able to constrain the behavior of the undertakings concerned and to prevent withdrawal of competitive pressure. It must be clarified which products or services are functionally

interchangeable from the point of view of the consumers. The same product market is allocated to what cannot be substituted by other products or services from the point of view of the customer due to the respective characteristics, prices and intended uses. A combination of several factors (e.g. market share; company structure; competitive situation; behavior on the market; in principle, however, not price, see Wiedemann, loc. cit., § 23 para. 12) must be taken into account. Individual factors do not necessarily have to be decisive in their own right. In this respect, the territory of the Federal Republic of Germany - like any Member State - also constitutes a substantial part of the common market (see ECJ Sig. 1983, 3461, para. 103 - Michelin/Komm).

In connection with the prohibition rights from a patent asserted here, the demarcation described above must be made with regard to the licensing market (cf. Kühnen, loc. cit., Chapter E, para. 217): the supplier is the patent proprietor, who alone is able to grant a license for the respective patent; the user interested in the patent-protected technology is the buyer. In principle, each patent leads to its own relevant product market, unless in individual cases an equivalent technology - from the point of view of the buyer - is available for the same technical problem. It is recognized that the mere ownership of patents does not in itself constitute a dominant position. If, however, the patent proprietor is given the opportunity due to additional circumstances to prevent effective competition on a downstream market (here: on the downstream product market for goods/services subject to licensing (due to the patent)) by means of his monopoly position, then a dominant position exists (ECJ GRUR Int 1995, 490 - Magill TVG Guide; ECJ WuW 2013, 427 - Astra Zeneca).

Even a standard essential patent ("SEP") as such does not establish a sufficient condition for market dominance; the standard essentiality alone does not even justify a (rebuttable) assumption that the SEP holder can prevent effective competition precisely because the standard essentiality means that the SEP must be used in order to produce products compatible with the standard (LG Düsseldorf, Urt. v. 13 July 2017, Case No. 4a O 16/16, BeckRS 2017, 129534; Kühnen, loc. cit., Chapter E, marginal 220; de Bronett, in Wiedemann, loc. cit., § 22, marginal 27; Müller, GRUR 2012, 686; loc. cit. Apparent Opinion of Advocate General Wathelet of 20 November 2014 in Case C-170/13 marginal 57 = BeckRS 2014, 82403; ECJ loc. cit, Paragraph 43 left the question open because dominance was undisputed in the individual case submitted and was therefore not the subject of the questions referred). With regard to each individual patent included in the standard, an

assessment of its competitive significance for the downstream product market based on the circumstances of the individual case is therefore required (Kühnen, loc. cit, Section E, recitals 221 et seq.): If it emerges in this respect that the use of the SEP in question constitutes a prerequisite for market entry, a dominant position must be affirmed even if the technical effect resulting from the SEP in question does not have a decisive influence on market participation, but functions relevant to market entry could not be used for technical reasons, so that the general interoperability/compatibility would no longer be ensured (see, with regard to all OLG Düsseldorf, loc.cit. The same applies if a competitive offer would not be possible without a license for the SEP concerned (e.g. because there is only a niche market for non-patented products).

The defendant bears the burden of proof and presentation for market dominance according to the general principles (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). In that regard, the defendant is required to submit sufficiently specific facts to allow a judicial review as to whether or not there is a dominant position on the relevant geographic and product market.

**b)**

The plaintiff holds a dominant position on the market of the AVC standard to be licensed, because it or ██████████, as the pool administrator, can decide on the granting of licenses with regard to the standard relevant intellectual property rights. This enables it to prevent competition on the downstream market, which consists of all AVC-enabled terminal equipment. Although the AVC standard does not influence the downstream product market in the sense of a prerequisite for market entry, since in principle end products can also be marketed without this common standard, the equipment of the terminal equipment with this video standard is nevertheless an essential factor. Without its provision, the products (TVs, smartphones, tablets, etc.) would in fact be non-competitive because, in the absence of (de-)coding devices, they would be practically incapable of playing videos and of the average user, who considers this to be an important must-have function. There is no other standard available that could replace the AVC standard. There is no interchangeability with other common video coding standards such as AVI, DivX, Flash Video and WMV. Rather, it is common practice on the part of the terminal device manufacturers to equip the devices in such a way that all common standards are supported and video content can be reproduced correctly. Because it is the content provider who selects

which standard is used for coding. Accordingly, market penetration on the downstream product market is also close to 100 %. The defendant verified this percentage by means of random market analyses, the results of which it filed as investment volume B 43. The mobile phones investigated from various manufacturers are all promoted with AVC compatibility.

**2)**

According to the case-law of the ECJ, the plaintiff has sufficiently complied with its FRAND obligations resulting from the prohibition of abuse and discrimination under antitrust law. It does not abuse its dominant position.

**a)**

In the [REDACTED] case ([REDACTED] litigation, ref. C-170/13, judgment of 16 July 2015 as amended by the Corrigendum of 15 July 2015, hereinafter ECJ judgement) the European Court of Justice (ECJ) ruled on the question as to when the enforcement of the injunction claim (and also the recall claim) from an SEP standardized by a standardization organization, whose holder has undertaken vis-à-vis this organization to grant licenses to any third party on fair, reasonable and non-discriminatory terms (FRAND terms - fair, reasonable and non-discriminatory), does not constitute an abuse of a dominant market position within the meaning of Art. 102 TFEU.

Accordingly, the SEP holder must inform the alleged infringer (hereinafter: "infringer") of the patent infringement before asserting his injunction or recall claim (Guidelines and paragraph 61 ECJ judgement). To the extent that the infringer is in principle prepared to license the SEP, the SEP holder must submit a concrete written offer to license the SEP on fair, reasonable and non-discriminatory terms and conditions, including a description of how the required license fees will be calculated (recital 63 ECJ judgement). The infringer must react to this in good faith and in particular without delaying tactics (recital 65 ECJ judgement). If he does not accept the SEP holder's offer, the infringer must submit a counter-license offer within a short period of time which complies with the FRAND requirements (para. 66 ECJ judgement). If the SEP holder rejects this counter-offer on his part, the infringer will have to settle the use of the SEP and provide security for the payment of the license fees from this point on, which also applies to past uses (recital 67 ECJ judgement).

However, the infringer may not be accused of abusive conduct by attacking the SEP's legal status or standard essentiality during the license negotiation or by reserving the right to do so later (recital 69 ECJ judgement). The cartel law restrictions explicitly provided by the ECJ for the injunction and recall claim also apply to the destruction claim (see OLG Düsseldorf, decision of 13 January 2016, I-15 U 65/15, marginal 16, cited after juris; LG Düsseldorf, judgement of 31 March 2016 - 4a O 126/14, BeckRS 2016, 08040 m.w.N.).

In establishing these reciprocal and gradually to be fulfilled obligations, the ECJ clearly proceeded on the basis of the model of the parties willing to license and in particular of an infringer willing to license who - as soon as one was made aware of the use of the patent in suit - strives for a speedy licensing under FRAND conditions. There is no legitimate interest in enforcing the injunction claim from a SEP against such an infringer. Instead, both parties shall endeavor to conclude a FRAND-compliant license agreement first by out-of-court negotiations (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem; LG Düsseldorf, verdict of March 31, 2016, file number 4a O 126/14, BeckRS 2016, 08040; judgement of 13 July 2017, 4a O 154/15, recital 254 cited by juris).

According to the general principles applicable in German civil proceedings, the SEP holder must, after raising the objection under antitrust law in the infringement proceedings, demonstrate and prove that he has fulfilled the obligations imposed by the ECJ so that he can assert the injunction claim without abuse. If, on the other hand, the obligations are to be fulfilled on the part of the infringer, the burden of proof for the fulfilment of the respective obligation lies on his side. Accordingly, the SEP holder is burdened with the burden of presentation and proof for the infringement notification and the submission of a FRAND offer; the patent user is burdened with the burden of proof for the licensing request, the FRAND counteroffer, if necessary, as well as the settlement and provision of security (cf. Kühnen, loc.cit., Chapter E, para. 352 et seq.).

**b)**

Contrary to the plaintiff's view, the above-mentioned [REDACTED] criteria are to be applied to the dispute here and not the principles laid down in the Orange Book decision of the Federal Supreme Court (BGH, GRUR 2009, 694, para. 29 - Orange Book Standard).

There is no apparent reason why it should be possible to fall back on the test steps as set out by the Federal Supreme Court in the "Orange Book Standard" ruling, according to which in particular the submission of a license offer by the license seeker would first be necessary (see Federal Supreme Court, loc. cit., Orange Book Standard).

For reasons of time alone, the Orange Book standard decision no longer applies. Because it was issued about six years before the ECJ's decision in which the ECJ acknowledgedly established a generally valid procedure (████████ criteria") (see block: Eighteen months after ECJ "████████/████████", GRUR 2017, 121 (121)). There is no evidence to suggest that if the BGH had to solve the case in the light of the ECJ ruling, it would judge it in the same way. The main argument against this is that the Orange Book standard was merely a de facto standard and the patent holder did not submit a FRAND declaration, whereas in the facts underlying the ECJ ruling, as in the present case, a legal ("de jure") standard is objective and the patent holder (plaintiff) also submitted a FRAND declaration.

In contrast to the plaintiff's opinion, it cannot be inferred from the ECJ judgment that the established examination regime and in particular the obligation of the patent holder to submit a license offer first should only apply in cases where there is an obvious information gap on the part of the license seeker; there are therefore neither publicly accessible license agreements nor standard license agreements.

The requirement of a primary license offer by the patent holder is not, at least not exclusively, based on a possible lack of information on the part of the license seeker, but on the one hand on the fact that the patent in suit is essential for a standard standardized by a standard organization and on the other hand on the irrevocable commitment of the holder to grant licenses to third parties on FRAND terms. It is precisely with these aspects that the ECJ links the special catalogue of obligations drawn up for the patent proprietor, as can be seen in recital 51 of the ECJ judgement (see also LG Düsseldorf, judgement of 9 November 2018, 4a O 17/17). It is precisely because of the undertakings given that third parties rely on obtaining a license on reasonable, non-discriminatory terms (cf. Kühnen, loc.cit., Chapter E, para. 258). Thus it is also represented in the literature and in this respect the submission of a FRAND declaration is clearly named as a delimitation criterion (cf. Kühnen, loc.cit., Chapter E, para. 214).



A further delimitation of the initial situation described in this way from cases in which an existing licensing practice exists cannot be inferred from the ECJ judgement. Nothing else follows from paragraph 64 of the ECJ judgement cited by the applicant. It is true that the last sentence of the paragraph makes it clear that, in principle, it is the patent proprietor who is easier than the license seeker to assess whether an offer made is non-discriminatory. This information gap justifies requiring the patent holder to submit a license offer first. However, as the introduction to the sentence with the word 'Moreover' shows, this is only a further justification and not the only one for the order chosen. Even without this last sentence, paragraph 64 already states that the patent proprietor can be expected to submit a license offer. Accordingly, it is not clear that the ECJ wanted to create a further criterion for delimitation. The linguistic introduction with the word "moreover", which merely marks an additional argument for the view that the patentee must take the initiative in the direction of concluding a license agreement, speaks against this. The systematic position of the statements in connection with the representation of the obligations of the patent proprietor, which results precisely from the special features described, also underlines that only an additional argument for these obligations is to be presented, but not a new distinguishing criterion (LG Düsseldorf, judgement of 9 November 2018, 4a O 17/17).

In particular, taking into account recitals 48 et seq., it emerges that, in answering the question referred for a preliminary ruling, the type of patent and the voluntary obligation to license were decisive factors for the ECJ and that the "ratio" of the decision does not necessarily refer to existing license agreements. It is explicitly stated in recital 48 that the underlying process, i.e. ██████████, has *particular characteristics* compared to other processes. In the following paragraphs, the ECJ concretizes this in concrete terms to the effect that a patent that is essential for a standard standardized by a standardization organization is in dispute. Secondly, it refers to the irrevocable commitment of the patentee to the standardization organization. The (non-)existence of license agreements that have already been granted, and possibly even license agreements known to the industry, has not been used as a criterion to highlight the special nature of a procedure.

In addition, the view that an established licensing agreement practice goes beyond the principles set out in the ECJ ruling also leads to practical problems

in defining when such a constellation can be assumed to exist.

**c)**

In the present case, the Chamber was able to establish that the procedural steps established by the ECJ and also applicable in the present legal dispute had been complied with.

**aa)**

The applicant duly notified the defendant of the infringement. The relevant notice of infringement can be found in the [REDACTED] e-mail of 6 September 2011 (cf. Annex K 10 - Exhibit A).

According to the procedural steps resulting from the ECJ ruling, it is first incumbent on the patent proprietor to notify the alleged infringer of the infringement. The infringer should be made aware of his possibly unlawful conduct, whereby the SEP concerned must be designated and the manner in which it was alleged to have been infringed must be indicated (see recital 61 ECJ judgement).

As a result, at least the indication of the publication number of the action patent, the challenged form of execution and the alleged act(s) of use (within the meaning of Sections 9 et seq. Patent Law) are required vis-à-vis the infringer (OLG Düsseldorf, loc.cit. - Mobile communication system; LG Düsseldorf, judgement of 31 March 2016, ref. 4a O 126/14, BeckRS 2016, 08040; Kühnen, loc. cit., Chapter E, marginal 328). The notice of infringement, on the other hand, does not require detailed (technical and/or legal) explanations of the infringement; the other part only needs to be enabled to examine the allegation of infringement (Kühnen, loc. cit., Chapter E, para. 328). Contrary to the opinion of the Mannheim Regional Court, the notice of infringement therefore does not (yet) require any reference to the standard essentiality of the asserted patent and/or the submission of claim charts (see Mannheim Regional Court, judgement of 29 January 2016, file no. 7 O 66/15 cited after juris). Neither a reference to the standard essentiality of a patent nor a comparison of the claim characteristics with the characteristics of the standard is required. This is because the (substantive) requirements for the notice of infringement must not be so excessive that the patent proprietor is obliged at this early stage of the dispute to give detailed reasons as to how the individual features of the patent claim are realized and to derive his claims legally. It is initially the responsibility of the infringer to examine the content of the infringement allegation (cf. Kühnen, loc. cit., Chapter E, para. 328).

According to this provision, the letter from ██████ dated 6 September 2011 proves to be sufficient evidence of infringement.

**(i)**

The notice of infringement could be effectively delivered by ██████ on the plaintiff's side and effectively received by the defendant's parent company or sister company on the defendant's side.

It is common ground between the parties that the plaintiff did not appear before the ██████ group at any time before the beginning of the present dispute. Instead, only ██████ became active, with Mr ██████ acting as Licensing Associate (see Annex B 7) for ██████, Mr ██████ as Vice President Global Licensing (see Annex B 13) and Mr ██████ as Licensing Associate (Annex B 21).

As license administrator, ██████ was entitled to perform legal acts in connection with the granting of licenses to the AVC/H.264 patent pool, including in particular the conclusion of license agreements and necessary preparatory steps.

The ECJ ruling does not stand in the way of such a possibility of action.

For example, it states, among other things, that the SEP holder must meet conditions designed to ensure a fair balance of interests (ECJ ruling, recital 55). In this respect, there is only talk of the SEP holder, who must become active vis-à-vis the license seeker and fulfil the established obligations. Thus it is also the patent proprietor himself who then takes legal action against the infringer.

Nevertheless, this ruling of the ECJ does not at the same time result in a restrictive understanding to the effect that not only the SEP holder but also a third party may not carry out the legally relevant acts for him. This possibility is explicitly not foreseen in the decision. There are, however, no reasons to argue against such a course of action. The result is that action is attributable and effective to the patentee and only the patentee is entitled and obliged.

The interests of the license seeker worthy of protection are not impaired. This applies in any case then and as long as the license administrator indicates that he is not the patent holder himself, but that he is the patent holder behind him for whom he is acting. The concrete legal structure of the legal relationship between the patent proprietor and the third party/license administrator - and the question raised by the parties as to whether representation by the [REDACTED] is in line with the provisions of German civil law, namely §§ 164 et seq. of the German Civil Code - are of particular relevance. BGB, in particular § 167 BGB, where the fact that the acts giving rise to the representation did not take place in Germany is already likely to speak against - it is not relevant, especially since various legal ways of structuring the situation are conceivable (trust, representation). The dialogue between the "reciprocal obligations" from the ECJ ruling is at any rate not impaired by this form of action.

In all other respects, the standard license agreement submitted to the file provides more detailed information on the legal relationship between the plaintiff as patent proprietor and [REDACTED].

The standard license agreement for the pool at issue here (Annex K 10 - Exhibit G - a) is concluded according to the introduction

"This Agreement was entered into on XXX 20XXX between [REDACTED], a limited liability company incorporated under the laws of the State of Delaware with its registered office in Denver, Colorado, USA (hereinafter referred to as the "Licensee"), and XXX (hereinafter referred to as the "Licensee")."

between [REDACTED] and the respective licensee. For this purpose, sublicenses are granted to [REDACTED] by the holders of the pool patents:

"Each Licensor grants to the Licensee a worldwide, non-exclusive license and/or sublicense to all patents essential to AVC that may be licensed or sublicensed by the Licensor to enable the Licensee to grant to the Licensee worldwide, non-exclusive sublicenses to all such patents essential to AVC under the terms of this Agreement.

Section 3.1 of the standard license agreement (Annex K 10 - Exhibit G - a) also states:

"For the licenses granted under Article 2 of this Agreement under the AVC Essential Patents in the AVC Patent Portfolio, the Licensee shall pay to the Licensee the following fees to the benefit of the licensors for the term of this Agreement:".

On the basis of these contract passages, it is thus clear that [REDACTED] is a license administrator who has been commissioned by each patent holder who has contributed his intellectual property rights to the patent pool at issue in this case, in particular also by the plaintiff, to make the patents in the pool available to interested licensees by way of a subpool license.

It must be admitted to the defendant that the wording in the preamble may not make a clear distinction between substitutive action, to which the plaintiff also refers in its submission, and the granting of sublicenses. In this respect, the wording of the contract offer should be accorded greater importance, which argues for the granting of sublicenses to [REDACTED] (Annex B 32, p. 2 a.E.). Ultimately, however, there is no final legal clarification as to how the [REDACTED] has become active here. In any event, the plaintiff is bound by the license offer submitted. [REDACTED] has made an offer to [REDACTED] in accordance with the will of the plaintiff from the beginning. For the submission of an effective offer attributable (also) to the plaintiff, it is only decisive that a connection to the patent proprietor can be established at all.

This is the decisive ratio of the ECJ judgement. Even though the patent proprietor as the person who has to comply with the [REDACTED] criteria is the decisive factor there, the Chamber does not believe that this can be understood in this absolute sense. There are no indications in the decision that it would not be possible to act on behalf of the patent proprietor via a representation constellation (or similar legal structure) and that the persons of the injunctive relief plaintiff and the provider (etc.) could therefore fall apart.

In addition, the regulation on page 2, 2nd paragraph from below of the license offer also speaks in favor of the attribution of the behavior of [REDACTED] to the respective patent holders. It states that each licensor is obliged to grant licenses [...] on moderate, reasonable and non-discriminatory terms. The listed adjectives make the FRAND terms directly and explicitly subject of the license agreement. There are no

indications that the regulatory will was not to be allowed to fulfil these conditions by other legal arrangements, including the use of commissioned third parties. If this had been intended, however, an explicit regulation would have been obvious, since it was already foreseeable at the time of drafting the contract that a license administrator would act on behalf of the patent proprietors and that his pre-contractual action would have been foreseeable for the patent proprietors in this respect.

Furthermore, the role of [REDACTED] as a license manager in the licensing and electronics industry is well known because this is precisely its business purpose, as can be seen from its own information material (cf. Annex B 3) and its website.

But also beyond that the defendant is not able to deny a proper authority of [REDACTED] to act considerably. The defendant is acting in breach of trust if it invokes the [REDACTED] lack of authority to act. The defendant may not declare itself ignorant with regard to a power of [REDACTED] pursuant to § 138 Para. 4 ZPO (see OLG Düsseldorf, judgement of 20 December 2017 - I-2 U 39/16 -, juris, recital 143; LG Düsseldorf, judgement of 12 Dezember 2018, file number 4b O 4/17).

Pursuant to § 138 (4) ZPO, the admissibility requirement is that the declaration relates to facts which were neither the party's own actions nor the subject of the party's own perception. This applies in principle to the process of a possible granting of authority between the plaintiff and [REDACTED]. However, it is not compatible with the purpose of the provision, which is to improve the opponent's inferior position due to ignorance, to allow the other party to benefit at any price from its lack of knowledge. The boundary shall be drawn where the principle of good faith is no longer respected. This is the case here.

The [REDACTED] group (in detail immediately) has entered into license negotiations with [REDACTED] over a period of several years. Thus, the e-mail traffic included in the file already begins in 2008 (Annex B 5) and has continued largely continuously since then until the e-mail of 6 September 2011 (notification of infringement), but also beyond that. Irrespective of the fact that the correspondence between [REDACTED] and the Chinese parent company of the defendant and [REDACTED] USA (" [REDACTED] ") in the early years was directed towards the conclusion of a license

agreement with respect to the MPEG 2 standard, it was even the group of the defendant itself that expressly requested such an agreement (cf. Annex B 6, e-mail of 13 February 2009) and obviously assumed that the contract negotiations conducted with ██████████ would lead to an effective license agreement.

The same applies to the AVC/H.264 standard. ██████████ also has the necessary authority to act for the conclusion of a license agreement. The AVC/H.264 standard became the subject of mutual communication in 2009 and the ██████████ Group was able to clearly identify and assume that it would also be ██████████ that would act for the patent holders in this context (see Annex B 7, e-mail of Mr ██████████ of 16 February 2009; e-mail B 9, e-mail of ██████████ of 18 March 2009).

This business contact, which had been maintained over many years, created a situation of trust in ██████████ to the effect that the exchanged correspondence would actually lead to the conclusion of a contract, as there were no doubts as to the legitimacy of ██████████. As a result, the defendant may no longer rely on such doubts expressed for the first time in the present proceedings.

**(ii)**

The notice of infringement could be addressed to a company affiliated with the defendant, namely ██████████ ("█████████ USA"). It was not necessary to contact the defendant directly; the fact that the first contact arose as a result of the present dispute is harmless.

This is because groups of companies are to be regarded as a unit, particularly with regard to antitrust issues (OLG Düsseldorf, loc. cit. - Mobile communication system; LG Düsseldorf, judgement of 4 November 2015, ref. no. 4a O 93/14 cited after juris; Kühnen, loc. cit., Chapter E, marginal no. 329). In any case, this means that the duty of disclosure is already satisfied if information is already provided to the parent company of the alleged infringer, since it can be assumed that the latter will regularly inform the relevant subsidiaries in the individual countries in which the SEP is used (see OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). The same situation must be assumed if a subsidiary or a certain employee of that subsidiary has

assumed a leading role in license negotiations lasting many years and has primarily negotiated with the corresponding contact persons on the plaintiff's side.

Since 2008, the subsidiary ██████ USA has been in negotiations with ██████ initially only about the MPEG 2 standard, later also about the AVC standard which is the subject of this dispute. Since 2009, Mr ██████, known as ██████ - to whom the e-mail of 6 September 2011 is addressed (Annex K 10 - Exhibit A) - has been involved there as the responsible employee who was in exchange with the defendant's other group companies regarding licensing. For example, the e-mail of 9 December 2009 from Mr ██████ to Mr ██████. ██████ ██████ of ██████ (Annex B 18, 18a) that Mr. ██████ was in contact with both the other regional offices outside China and the defendant's Chinese office and was coordinating the license negotiations. Therefore, Mr. ██████ of ██████, on the recommendation of Mr. ██████, also contacted Mr. ██████ in September 2011 when he pointed out the violation of the AVC standard by the defendant's mobile phones and tablets and the resulting license requirement. Thus he names the role of Mr ██████ at the beginning of the e-mail of 6 September 2011 ("I get in touch with you because you handle patent licensing matters at ██████) and Mr ██████ also obviously saw himself under an obligation to continue the negotiations as he proposed a telephone call in the e-mail of 15 September 2011 (Annex B 23, 23a). In particular, Mr ██████ did not refer Mr ██████ to any other employee or to any other Group company.

**(iii)**

The ██████ e-mail of 6 September 2011 also satisfies the content requirements for an infringement notice.

The defendant is entitled to admit that the ██████ letter of 6 September 2011 contains only general information on the infringing product - referred to as "mobile handset and tablet products" and on the infringed property right(s) in the form of a reference to "the AVC patent portfolio" with "more than 1000 essential AVC patents of 25 patent holders". It does not mention the publication numbers of concrete patents or the concrete designation of alleged infringing products.

However, this content is exceptionally sufficient against the background of the preliminary correspondence between the parent company of the defendant and



██████████ as well as the conduct of the parent company of the defendant after the notice of infringement (so also LG Düsseldorf, judgement of 9 November 2018, 4a O 17/17).

It was already mentioned in the e-mail of 12 November 2009 from ██████████, Vice President of Licensing at ██████████, to Mr ██████████, ██████████ ██████████ ██████████ (Annex B 13) has been addressed. Mention is made of the AVC standard and first details of the content of the license (licenses, royalty cap and concept of protected entity) as well as mobile phones with T-DMB functions as infringing products. In the email of September 6, 2011 (Annex K 10, Exhibit A), ██████████ finally resumed only interrupted conversations with another reference to the AVC license. This is also made clear by the fact that Mr ██████████ did not request any further explanations following the notice of infringement, but instead requested a telephone appointment in order to be able to discuss the matter "further" (Annex B 23).

If the defendant withdraws to the effect that no concrete reference is made to the patent, this is harmless. For example, the defendant or its group companies were able to view the relevant SEP list for the pool together with cross-reference charts, as shown in Annex K 10 Exhibit E on the Internet at ██████████, along with the associated standard sections which make use of the associated SEPs. Even though these are not classic claim charts - which the Düsseldorf courts did not even demand at this stage of the negotiations (see OLG Düsseldorf, loc. cit. - Mobile Communication System) - they were no longer necessary because the plaintiff already had the opportunity to take note. The fact that the parent company was in any case aware of the activities of ██████████ - which suggests that its Internet presence is also not unknown to it - can already be seen from the email sent by Mr ██████████ to ██████████, ██████████ and ██████████ from ██████████ on 1 July 2009 (cf. Annex B 10).

Finally, it should also be noted within the framework of the substantive requirements that a notice of infringement can be merely a formality or a plea of lack of knowledge that may constitute an abuse of rights. This is the case with the defendant from the circumstances already described.

In contrast to the defendant's view, a deficiency of the notice of infringement does not lie in the fact that the notice of infringement did not contain any claim charts. For their provision is not yet necessary at this stage of the procedure (see OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). Furthermore, the defendant requested for

the first time in a meeting in July 2016 the submission of further documents such as claim charts or a Proud List (Annex B 28), which would enable the defendant to adequately investigate the allegation of infringement. Until then, the [REDACTED] had no evidence that [REDACTED] could not conduct a comprehensive investigation of the infringement allegation on the basis of the available information material.

If the defendant refers to the e-mails of [REDACTED] dated 16 February 2009 and 12 November 2009 (Annexes B 7 and B 13) and criticizes the designation of the challenged design "products using the standard", this is irrelevant. It is undisputed that these e-mails originate from a period prior to the relevant infringement notification (September 2011).

**d)**

[REDACTED] the defendant's parent company, has shown sufficient willingness to license.

There are no high requirements regarding the content of the request for licensing required in the infringement notice. It can be general or informal, but the behavior of the patent user must show a clear will to license (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem; Kühnen, loc.cit., Kap. E., para. 333). There may be no subsequent deviation from the declaration of readiness to license, so that it is still valid even if the patent holder has to submit his FRAND offer (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). Content statements which do not require it may prove to be harmful if the patentee has to assume on their basis that a willingness to license exists only under very specific, non-negotiable conditions which are not FRAND and to which the patentee therefore does not have to agree (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem, para. 197 a.). E.; Kühnen, loc. cit., Chapter E., marginal 333). However, high demands must be placed on the establishment of such an offence. The indication of coveted license terms only invalidates the assumption of readiness to license if it allows the safe conclusion that the patent user in reality does not wish to take a license (OLG Düsseldorf, Decision of 17 November 2016, Ref.: I-15 U 66/15, para. 9, cited after juris).

Orientated on this standard, the basic willingness of the defendant's group to license was recognizable to the plaintiff. After the parent company's negotiator had received

the e-mail of 6 September 2011, the parent company's negotiator requested a telephone call by e-mail of 15 September 2011 (Annex B 23, B 23a) "to discuss further details of this matter". The answer - if viewed in isolation - leaves room for the fact that there is no interest in a legally binding agreement at the end of the discussion, which from the plaintiff's point of view would not be worth sending contractual documents.

However, the reply mail of 15 September 2011, taking into account the overall context of the exchange between the parent company and ██████████ that had already taken place in 2009, was not to be understood in this way (for the fundamental consideration of the overall context, also: OLG Düsseldorf, OLG Düsseldorf, loc. cit.

A reference by ██████████ to the AVC/H.264 licensing to the parent company can already be found in the email of Mr. ██████████ dated 16 February 2009 (Annex B 7, B 7a). The parent company also responded to this reference by e-mail dated 18 March 2009 (Annex B 9, B 9a) by naming the standard - in general form as MPEG 4 (this includes other standards that are not the subject of this dispute, such as MPEG-4 Visual (Part Two)) - and brought this into connection with the group's efforts to license only subsidiaries (in particular ██████████ USA). In the period that followed, this demand was consolidated, especially with regard to the licensing of the MPEG-2 standard but also in connection with the "MPEG 4 standard" (cf. Email ██████████ of 1 July 2009, Annex B 10, B 10a). The ██████████ continued the discussions with the parent company in the knowledge of this demand, initially with main reference to the licensing of the MPEG-2 standard, but always also with reference to the AVC/H.264 standard (cf. e.g. e-mail Mr. ██████████ of 12 November 2009, Annex B 13, B 13 a). This makes it clear that ██████████ and the Group company were already in negotiations in the run-up to the e-mail of 6 November 2011, which was considered an infringement notification. Against this background, the letter of 6 November 2011 proves to be a concretization of the contract negotiations on the AVC/H.264 standard which had previously been conducted with a focus on the MPEG-2 standard. When "██████████" then suggested further discussion of the matter, this was therefore to be understood as meaning that the negotiations that had already begun should be continued.

Insisting on the question of the (non-)inclusion of the Chinese market in the license agreement (cf. Annexes B 9 - B 16) is not in itself sufficient to deny ██████████ any willingness to license. Rather, from their point of view, it could not have been ruled

out that ██████ would adapt or change its negotiating position in this respect and that the license agreement could be brought to a positive conclusion.

At best, one would have to ask whether the permanent inquiries about the territorial scope could stand in the way of the seriousness of the willingness to license, which, however, must be denied in the end.

The willingness to license is to be regarded as "serious" if the license seeker indicates by his overall conduct that he is committed to the conclusion of a contract. This may not be the case because, as ██████ may have noted during the contract negotiations, ██████ view that the Chinese market should be excluded from any contract has not changed. As a result, the repeated enquiries ultimately lead to a delay in the conclusion of the contract. The ██████ must also have been aware of this. However, the fact that the contact was maintained in spite of this difference of views, which shows that ██████ had a continuous interest in licensing, argues against the assessment of these requests in the context of the licensing request as harmful.

In any event, the defendants have repeatedly indicated that they are ready for licensing in the course of the proceedings here and through their own license offer from August 2017. ██████ last updated its license agreement with the second counteroffer of 26 October 2018.

**e)**

The license offer submitted several times and most recently on 6 September 2011 by e-mail in conjunction with the documents of the standard license agreements submitted on 10 February 2012 complies with the "formal" requirements laid down by the ECJ and also proves to be fair, reasonable and non-discriminatory in terms of content.

**aa)**

The sending of the standard license agreement meets the (rather) "formal" requirements of the ECJ for the patent proprietor's offer.

The offer must then be made in writing and must also be concrete in the sense that it specifies the license fee and the relevant calculation parameters (relevant reference

value, applicable license rate, graduated scale if applicable) as well as the method of calculation (OLG Düsseldorf, loc. cit. Recital 203 - Mobile communication system; Kühnen, loc. cit., Chapter E. recital 325). The points which are usually the subject of licensing agreements must be included in the offer in the form of meaningful provisions (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem).

These criteria are met when the standard license agreement document is sent.

**i)**

Initially, the sending of the plaintiff's standard license agreement in February 2012 to [REDACTED], the defendant's intra-group contact for licensing questions, is to be seen as a license offer that complies with FRAND principles.

As already stated in the infringement complaint, [REDACTED] is the correct addressee of the defendant's group of companies, the person in charge of licensing matters. [REDACTED] received the standard license agreement (Annex K 10 Exhibit G) at the beginning of February 2012, as stated in the email dated 10 February 2012 (Annex B 22).

The standard license agreement was sent by [REDACTED] and, according to the wording of the preamble, is to be understood as an offer by the plaintiff to the group of defendants. Each Licensor undertakes to grant individual licenses or sub-licenses to individuals, companies or other legal entities in accordance with all AVC essential patents on moderate, reasonable and non-discriminatory terms and conditions in accordance with the terms and conditions agreed here, which may be granted by the Licensor (without payment to third parties) (see Annex K 10 Exhibit G, page 2, 3rd paragraph). The licensor (plaintiff) continues to grant the license administrator ([REDACTED]) a license in order to enable it to manage the license (see Annex K 10 Exhibit G, page 2, last paragraph).

If the defendant does not want [REDACTED] actions to be imputed to the plaintiff, [REDACTED] may be acting on its own because it grants a sublicense. However, this sublicensing activity is ultimately only an activity carried out by [REDACTED] in place of the plaintiff (and all other pool members). The fact that this administrative activity is carried out in a justified manner results from the aforementioned passages of the standard license agreement itself. The defendant did not question [REDACTED] right

to act on behalf of the pool members during the entire out-of-court negotiations, but only assured itself during the discussion on 20 July 2016, that [REDACTED] was not entitled to bring an action itself (cf. Annex B 28, B 28a). Even if one did not want to assume that [REDACTED] was entitled in advance to all acts relating to the licensing of the patent in suit as part of the patent pool, the filing of the action must in any event be regarded as an authorization by the plaintiff. Why the dialogue between SEP holder and prospective licensee envisaged by the ECJ should be severely disturbed if negotiations are initially conducted with a pool administrator instead of the individual pool member, the Chamber does not see why it is apparently common in the area of SEP licensing for companies to make their patents available by way of a pool solution and thus have a contact person for the entire pool.

## ii

Due to its objective explanatory value, the sending of the standard license agreement in February 2012 must be seen as a sufficiently concrete offer negotiation. [REDACTED], the person responsible for coordinating the group-wide licensing negotiations, had a complete contractual document with all the terms and conditions for a license to the AVC standard essential patents. In particular, Section 3.1.1. contains the necessary parameters for the license calculation. Art. 2.1. contains the granting of the license for AVC Products, whereby Art. 1.10 defines the AVC Products. The essentialia negotii of licensing are thus determined.

Contrary to what the defendant maintains, the document did not serve merely as a model contract for information purposes. It was clearly a self-contained contractual document which was not specifically tailored to one of the group companies but was to be regarded as a standard contract for a large number of licensees (see LG Düsseldorf, judgement of 9 November 2018, file no. 4a O 17/17). Date and name of the licensee are left blank. The reference in the e-mail of the [REDACTED] of 6 September 2011 (Annex B 21, B 21a) that the electronic copies are for information purposes only and cannot be used as copies shows that, conversely, the documents sent by post should fulfil the function of signed copies (cf. LG Düsseldorf, judgement of 9 November 2018, file no. 4a O 15/17).

## III)

As a result, the way in which the license fee is calculated is also sufficiently explained.

In this context, the Düsseldorf case-law requires that the SEP holder explain the main reasons on the basis of which he considers the remuneration parameters proposed by him to be FRAND. If the holder has already previously granted licenses to third parties, he must, depending on the circumstances of the individual case, give more or less substantiated reasons, in particular why the license fee he intends to pay is FRAND precisely against this background (see OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem). If there are a sufficient number of license agreements and acceptance on the market is proven in this way (e.g. market share of the products licensed at a certain fee level), no further information on the appropriateness of the license fee level will normally be required (LG Düsseldorf, judgement of 13 July 2017, Ref.: 4a O 154/15, recital 311 - cited according to juris; LG Düsseldorf, judgement of 11 July 2018, ref. 4c O 77/17, BeckRS 2018, 25099, recital 137). In principle, the calculation explanation as well as the offer itself must be made in time so that the infringer has a sufficient reaction time (see LG Düsseldorf, judgement of 13 July 2017, Ref.: 4a O 154/15, recital 319 - cited according to juris; LG Düsseldorf, judgement of 11 July 2018, ref. 4c O 77/17, BeckRS 2018, 25099, marginal 144). If at the time of the offer there is no need for more concrete explanations due to the individual circumstances mentioned, this may arise during the proceedings if individual substantive FRAND requirements are substantiatedly disputed by the infringer, so that in any case all calculation factors must then be specifically explained (see OLG Düsseldorf, decision of 17 November 2016, Ref. I-15 U 66/15, para. 19 - cited after juris; LG Düsseldorf, judgement of 13 March 2016, file no. 4a O 126/14 recital 254). The concrete further information may not, of course, contradict the original more general information, otherwise the offer is to be regarded as abusive due to the lack of present FRAND conditions.

Although the standard license agreement itself does not contain any information on the method of calculating the license, such information is not required in the specific individual case according to the previously established standards. The applicant submitted a standard license agreement, which it submitted to a large number of licensees on those same terms. The more concluded license agreements with similar license conditions were concluded, the stronger is the presumption that the required license fees are FRAND (cf. LG Düsseldorf, judgement of 31 March 2016, ref. no. 4a O 126/14, recital 219 - cited according to juris). This is a standard license agreement, as is already apparent from the pre-formulated text of the agreement,

which Mr. [REDACTED], as the responsible negotiating partner of the defendant's group, was essentially aware of from years of negotiations before. Apart from the fact that the list of licensees who had already concluded the contract is available on the Internet (Annex K 10 - Exhibit F), Mr. [REDACTED] knew licensees, such as [REDACTED], who had concluded the contract - but not group-wide - from the email of 21 February 2012 (Annex B 25, B 25a). In this respect, the group company already had all the information it needed to enter into the negotiations, which it then continued with the justification already given for the MPEG-2 standard that, like these companies, it only wanted to license individual group companies. In addition, the defendant did not question the calculation of the license amount as such until the end of the oral proceedings.

Finally, there is also no indication that further explanation of the calculation parameters or submission of the concluded license agreements themselves usually takes place as part of the contract offer. No such customary practice in the industry has been presented or is apparent.

**f)**

The offer under review here also complies with FRAND principles in terms of content.

Fair and reasonable" contractual terms are those which are not offered to the licensee as an abuse of a dominant position. The contractual conditions must be reasonable and must not be exploitative (OLG Düsseldorf, decision of 17 November 2016, Ref.: I-15 U 66/15, juris, marginal 15). An offer by the licensor may, in particular, prove unfair/inappropriate if a license fee is charged which significantly exceeds the hypothetical price which would have been formed in the case of effective competition on the dominant market, unless there is an economic justification for the price formation (LG Düsseldorf, judgement of 31 March 2016, reference number: 4a O 73/14, recital 225, cited after juris; Huttenlauch/ Lübbig, in: Loewenheim/ Meessen/ Riesenkampff/ Kerstin/ Meyer-Lindemann, Kartellrecht, Kommentar, 3rd edition, 2016, Art. 102 TFEU, recital 182; Kühnen, loc. cit. In the case of a standard industrial property right, the inappropriateness may also result from the fact that, in the event of a license claim, a cumulative total license charge would also arise for the other standard industrial property rights which is not economically viable (Kühnen, loc. cit., Chapter E., para. 246). It should be noted in



this context that a mathematically exact derivation of a FRAND-compliant license fee does not have to be made, but rather an approximate decision based on valuations and estimates has to be made (Kühnen, loc.cit., Chapter E., marginal 425). Comparable license agreements can be an important indication of the adequacy of the license conditions offered (LG Düsseldorf, judgement of 31 March 2016, Ref.: 4a O 73/14, marginal 225, cited according to juris; Kühnen, ibid., Chapter E, marginal 245, marginal 430). The contractual offer must also prove to be appropriate with regard to the other contractual conditions (intellectual property rights subject to license, license area, etc.).

The prohibition of discrimination standardizes an obligation of equal treatment for the dominant undertaking by requiring it to grant the same prices and conditions to trading partners in the same situation (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem). The principle of equal treatment only applies to situations that are comparable, while market-dominating companies can also react differently to different market conditions. A difference of treatment is therefore permissible if it is objectively justified. The broad scope for objective justification to which the holder of an industrial property right is generally entitled is limited if, in addition to the dominant market position, other circumstances arise from which it results that the unequal treatment endangers the freedom of competition (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). These can consist in particular in the fact that the entrance to a subordinated product market is dependent on the adherence to the patent-conforming teachings (BGH, GRUR 2004, 966 (968) - Standard-Spundfass) or the product - as here - only with use of the patent is competitive (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem).

The license seeker is obliged to provide evidence and evidence for unequal treatment (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem) or the existence of an exploitative offence (LG Düsseldorf, judgement of 30 November 2006, file no. 4b O 58/05, marginal 140 - video signal coding I, cited according to juris; Kühnen, loc. cit., Chapter E., marginal 247, marginal 308). However, account must be taken of the fact that the license seeker regularly has no detailed knowledge of the SEP holder's licensing practice, in particular of existing license agreements with third parties and their regulatory content. This justifies the imposition of a secondary burden of disclosure on the SEP holder, who is naturally aware of the contractual relationships with other licensees and who can reasonably be expected to provide more detailed information in this regard (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem;

Kühnen, loc. cit.). The information on licensees must be complete in this context and must not be reduced to a few well-known companies in the sector (Kühnen, op. cit.). The lecture must also contain information on which - concretely to be named - companies with which significance on the relevant market have taken a license and under what concrete conditions (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem). If unequal treatment has been determined, it is incumbent on the patent proprietor to explain any circumstances justifying the different treatment and, if necessary, to prove them (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem; Kühnen, loc. cit.).

**aa)**

The defendant's objections directed against the FRAND moderation do not take effect on the basis of this standard.

**i)**

The Board is unable to establish that the composition of the patent pool is contrary to antitrust law.

The determination of a "fair and reasonable license offer" in connection with a patent pool, i.e. in the form of a merger of several property right holders for the joint licensing of the patents held by them, first requires a substantiated factual presentation on the use of the patents from the pool (OLG Düsseldorf, decision of 17 November 2016, ref. no.: I-15 U 66/15, recitals 26 f.; Kühnen, loc. cit. In this respect, however, no degree of conviction measured against § 286 ZPO, which requires a personal certainty which requires silence without completely excluding doubts, is required (ww. After. Greger, in: Zöller, ZPO, Commentary, 32nd edition, 2018, § 286, marginal 19). Rather, § 287 (2) ZPO is applicable, which - by reducing the measure of proof in § 286 ZPO - allows a predominant probability to suffice (OLG Düsseldorf, loc. cit. - Mobiles Kommunikationssystem).

A corresponding presentation is generally made by presenting so-called claim charts for selected portfolio patents, which assign the relevant passages of the relevant standard to the respective SEPs (OLG Düsseldorf, loc.cit. - Mobiles Kommunikationssystem).

Such a reference list is available as Annex K10 - Exhibit E for all pool patents.

Offering a license in a patent pool does not in itself constitute grounds for accusations of abusive inappropriateness. It regularly serves the well-understood interest of potential license seekers that they are offered a one-stop user license for the entire standard at uniform conditions, because they are thus relieved of the necessity of having to apply for a license for their patents from each individual property right holder (LG Düsseldorf, 4b O 508/05, para. 119 - Videosignal-Codierung I, quoted after juris). In this respect, the "Guidelines on the Application of Art. 101 of the Treaty on the Functioning of the European Union to Technology Transfer Agreements" of 28 March 2014 (Official Journal C 89/3) (hereinafter referred to as "the Guidelines") also provide guidance (cf. in general terms Kühnen, *ibid.*, Chapter E, para. 299). As regards the application of the prohibition of cartels under Article 101 TFEU, they provide in paragraph 245 for the following:

"[...] Technology pools can have pro-competitive effects by reducing transaction costs and limiting the accumulation of royalties, thus avoiding double profit maximization. They enable central licensing of the technologies held by the pool. This is particularly important in industries where intellectual property rights are of central importance and where market presence requires licensing from a significant number of licensors. [...]."

A restrictive effect on competition can only be presumed if further circumstances arise, which is also reflected in paragraph 246 of the Guidelines:

"Technology pools may also restrict competition since their creation necessarily implies joint sales of the combined technologies, which may lead to a price fixing cartel in pools consisting exclusively or predominantly of substitutable technologies. Moreover, technology pools may not only reduce competition between the parties, in particular when they support or de facto establish an industry standard, but may also reduce competition in innovation by foreclosing alternative technologies. An existing standard and a corresponding technology pool can hamper market access for new and improved technologies."

Based on this standard, the offer of a license to a patent pool only proves to be inappropriate or discriminatory in special circumstances, and thus contrary

to antitrust law. However, such circumstances cannot be established.

In particular, such circumstances do not arise from the fact that, as the defendant claims, mobile operators typically use only one of the four profiles provided by the standard and only certain features of it.

**(1)**

The defendant submits that the fact that the AVC/H.264-Standard from different profiles (essentially four: "Baseline (CBP/BP)", "Extended (XP)", "Main (MP)" and "High (HiP)"), each profile having certain features, but mobile device manufacturers generally have only a few selected profiles, in particular "Baseline", and then only use certain features of these profiles (features such as "flexible macroblock ordering (FMO)", "arbitrary slice ordering (ASO)", "redundant slices (RS)", "data partitioning" and "SI/SP slices", for example, would not be used).), mobile operators are burdened with an excessive license.

This objection may, in principle, be capable of showing that the royalties are inappropriate. It is comparable with the cases in which not all patents in a pool are used (see Kühnen, loc. cit., marginal 412). However, as is the case here, objective reasons can be cited against an unreasonable hindrance in this sense (Kühnen, loc. cit.).

According to these standards, the defendant has already failed to sufficiently demonstrate that the relevant profiles Baseline, Extended, Main and High in the attacked versions are not made available in such a way that they are used to play video sequences.

The defendant submits in general terms that a Wikipedia article (Annex B 35) shows those profiles which are typically not supported by mobile devices. The defendant does not make any concrete reference to a specific passage of this Wikipedia article (Annex B 35) as proof that not all profiles are implemented in the attacked forms of execution. For the same reasons, the reference to the extract from the website submitted as Annex B 36 ( ) does not catch the eye either, as it only deals with mobile terminals and profiles that have not been implemented on a flat-rate basis. With this lecture, the defendant withdraws to the fact that its products

would not realize the profiles. However, this does not mean their technical ability to implement these profiles.

On the other hand, the plaintiff has been able to establish through its own investigations that the profiles are preset by the manufacturer in the challenged designs. This has been confirmed by the results of the investigation summarized in Annex K 8.

However, if it is certain that the Main and High profiles are used, this also applies to the Baseline profile. As can be seen in particular from the excerpt of the homepage [REDACTED] submitted as Annex B 36 to the file, the Main and High profiles merely add a few features to the Baseline profile and thus build on it. Nothing else can apply to the Extended profile.

Even if not all the characteristics of a profile are realized in the challenged forms of execution, the defendant's submission cannot invalidate that of the plaintiff. On the one hand, the defendant does not specify which characteristics of a profile are not to be realized. On the other hand, these are optional, that is, selectable characteristics that are assigned to a particular profile and represent it.

It could not therefore be established that [REDACTED] would be unduly burdened by the inclusion of all profiles in the license agreement, especially since its product portfolio also includes various AVC-capable product types, such as smartphones, tablets and set-top boxes, so that licensing all profiles appears to be advantageous.

Finally, a comprehensive inclusion of the profiles in the standard license agreement is justified because, on the one hand, certain lump sums are required in such agreements for reasons of practicability (LG Düsseldorf, judgement of 11 September 2008, 4b O 78/07, recital 101, cited by juris) and, on the other hand, the video content producer determines which encoding is used and, thus, manufacturers of terminal equipment increase the probability that customers will actually be able to play video sequences by making available all profiles in the challenged versions.

The defendant is also unable to infer unequal treatment from the fact that, according to its submission, the fee structure of the HEVC standard, which is a further

development of the AVC standard at issue, now provides for a differentiation of license rates according to the extent to which a product makes use of the profiles of the standard (Annex B 38). As the defendant itself states, this is the successor standard, which does not necessarily give any indication of the fee structures of the local standard. In addition, Annex B 38, entitled 'Summary of In-Compliance Royalty Rates with Trademark Discount', shows only a part of the fee determination, with the entire license fee agreements having to be taken into account for a full assessment.

If the defendant invokes a prohibition of coupling with regard to the inclusion of even unused profiles, an inadmissible coupling cannot currently be established because there are no profiles which are not used by the defendant.

## (2)

The defendant also complains that, with regard to the intellectual property rights grouped in the AVC patent pool, they are not all standard essential. The merger of all rights and thus their inclusion in pool license agreements is only justified if the standard essentiality of each property right can be established.

Based on the above principle, it is up to the license seeker to demonstrate that patents (not used by him) covered by the patent pool are not standard essential. These protective rights must be specifically designated (cf. Kühnen, loc. cit., Chapter E., marginal 256; LG Düsseldorf, judgment v. v. 30 November 2006 - 4b O 508/05 -, recitals 126 et seq. (132), quoted after juris). If he succeeds, it is the task of the patent holder to point out objective reasons for their inclusion, even if the market presence of the license seeker does not in principle depend on these rights. The limit of admissibility is the prohibition of coupling under antitrust law (cf. Kühnen, loc. cit., Chapter E, para. 415). Only if for non-standard essential patents no objective reasons for their inclusion in the pool can be given, the license offer is un-FRAND, as it is exploitative and unreasonable. This is due to the purpose of such a patent pool, which is to bundle technologies that complement each other in terms of content and where the use of one is not possible without the other. This is what distinguishes the standard essentiality of a patent. On the other hand, non-essential property rights are not indispensable for the use of a technology, although their inclusion may also be permissible under certain aspects.

The defendant was not able to demonstrate here that intellectual property rights are covered by the patent pool which are actually not essential with regard to the standard at issue. In the light of the applicant's substantial counterclaim, the Commission has not satisfied the burden of proof incumbent on it. There are no significant doubts as to the standard essentiality of the patents contributed to the pool or as to the objective reasons for their inclusion in the pool. For example, the defendant has not yet sufficiently substantiated the individual factors to which it attributes the lack of standard essentiality of the intellectual property rights included in the patent pool. This applies regardless of which scientific method was used for the research commissioned by ██████████ and which employee of ██████████ prepared the respective tables and diagrams (see Appendix B 39).

According to the tabular representation in Annex B 39, 2,173 patents of the four plaintiffs (related to the legal disputes conducted until recently before the Düsseldorf Regional Court) and 2,874 patents of other owners were available, whereby 439 and 788 patents respectively were examined in English. Of the 29 English patents analyzed by the plaintiff, 12 are standard essential, 6 are non-essential and 11 are informative.

These figures do not provide the necessary evidence for the essentially non-standard composition of the pool. As the title of Annex B 39 or B 51 "overall summary" already indicates, the results of the investigations presented therein are merely general and simplified summaries. Even though the number of intellectual property rights and classification has been listed separately for the companies or groups of companies which led to infringement disputes before the Chambers of the Düsseldorf Regional Court up to the last plaintiff, it is still not possible to determine in detail which patent or which patent family is specifically involved. There is no explanation why the assignment of the examined industrial property rights to the standard was not positive. Furthermore, 139 patent families of the plaintiffs were not examined at all before the chambers of the Düsseldorf Regional Court, without it being apparent on the basis of which criteria this selection decision was made. Finally, there was no comparison of the intellectual property rights with passages of the standard ("Essentiality Cross Reference Charts") which could prove the incompatibility. ██████████ has undoubtedly had access to the necessary information via the ██████████ website and there is no reasonable doubt in terms of both its expertise

and its human resources that [REDACTED] is capable of reviewing patent rights for their standard essentiality (see infringement notice above).

Annex B 40 also does not alter this assessment. Contrary to what the defendant believes, this document is not a substantiated expert opinion, even in view of its small scope, which provides information on the investigations carried out. There are no references to the origin of the document or to the fact that it is a publicly approved test unit. Apart from that, information submitted by the court as annexes to the file is only to be taken into account with regard to content if a written submission is made with reference to specific passages. Separated from this, no more detailed information can be found in this document than in Annex B 39, B 51, as only a superficial description of the working method is presented, with the majority of the remarks being based on the composition of the team at [REDACTED] and its expertise. In addition, it is stated that the results obtained were compiled in an Excel document, which the defendant, however, did not include in the file and which would only have had an added value if further information had been available from it than merely the tables from B 39, B 51.

In particular, Annex B 51, which is intended to demonstrate a downward revision of the number of non-essential rights, shows that there may be justified doubts about the summarized results of the external consultant and that even the consultant consulted cannot reliably determine the relevance of the rights. The defendant does not provide an explanation as to how the "slightly downward corrected" result should have come about. It does not state the reason [REDACTED] had for further evaluation. The argument is exhausted to the extent that these are 'current figures'.

With regard to the alleged cartel infringement, the defendant's objection is unsuccessful because its figures do not show that there are significantly more NEPs in the patent pool than SEPs. Even according to their study, a total of 51% of SEPs are in the pool at issue. Last but not least, the objection remains that the result is based on a sample and that not all pool patents were examined.

On the other hand, the applicant contested the figures put forward, pointing out that the patents contributed were first examined by independent experts as to their



standard essentiality, as provided for in the guidelines under the safe-harbor scheme (recital 261(b)). Against this background, the regulations of the standardization organization (ISO/ITU/IEC rules) do not play a significant role.

In its assessment of this factual submission, the Board does not misjudge the fact that the requirements on the burden of proof incumbent on the license seeker, in this case the defendant, must not be overstretched and that a detailed description of the (in)compatibility with the standard cannot therefore be expected for all possible patent rights. However, it can be expected that the already only exemplarily selected intellectual property rights will be examined in detail and that the results of these examinations will also be presented, for example, with reference to the respective patent, so that the examinations can be traced by the consulting firm. However, this has not been done in the present case.

### **(3)**

Doubts as to the existence of the necessary standard essentiality do not arise from the fact that, before they were included in the pool, the industrial property rights were examined for essentiality by Cohausz & Florack, a patent attorneys' office active in Europe. Even though these patent attorneys, who are called in to examine applications for inclusion in the standard, are not completely independent, but appear in infringement proceedings on the part of the holders of intellectual property rights of SEPs, this is not in itself sufficient to cast doubt on the results of their investigations (see LG Düsseldorf, judgement of 30 November 2006 - 4b O 508/05 -, para. 132, cited after juris).

Also of no relevance is the objection that the FRAND declaration of readiness to be completed in the case of ISO [REDACTED] (cf. Annexes B 41 and 42) makes it easy for an IP right holder to declare a patent as standard essential and that the requirements for such information may not appear to be very high. In any event, an independent body examines the property rights applied for to determine whether they are standard sensibilities. Without further evidence, it is not possible to draw any conclusions about the false declaration.

### **(4)**

The defendant's statement criticizing the alleged licensing practice and claiming that massively non-essential patents would be over-declared in order to generate higher royalties as a result without an appropriate patent value leads to no other result.

In support of this claim, the defendant refers to [REDACTED], [REDACTED], [REDACTED] and [REDACTED], all of which became pool members without having a single SEP. [REDACTED], a non-producing company, was established for the sole purpose of inappropriately increasing the number of pool patents. Its portfolio consists of branches of patent families held by pool members (here: [REDACTED]) and corresponding divisional applications and does not have its own intellectual property rights.

The Board is unable to identify any systematic over-declaration approach in the creation of [REDACTED], the plaintiff in parallel proceedings No 4a O 17/17, whereby the economic value of its portfolio is fully reflected in [REDACTED] portfolio, in part through transferred divisional applications and branches. The same applies to the assertion of a [REDACTED] SEP outside the pool by [REDACTED] and other SEPs held by [REDACTED] outside the pool. The [REDACTED] investigation (Annex B 55) presented in this respect meets the same serious concerns as the investigation in Annex B 39. The transactions described are as such "neutral" and the defendant furthermore does not submit anything which justifies a systematic abuse, especially since an increase in the number of patents does not lead to an increase in the license fee (see LG Düsseldorf, judgement of 9 November 2018, ref. no. 4a O 15/17).

Nor do the comments on [REDACTED] alleged SEP strategy, which is intended to represent an unreasonable increase in the total royalty burden, take effect and do not justify exploitative conduct on the part of the plaintiff or [REDACTED]. The defendant relies on proceedings conducted in the USA against [REDACTED] on the basis of patent US [REDACTED] which, although outside the pool, is nevertheless declared as AVC-essential (see Annex B 52). The applicant in these US proceedings is part of [REDACTED], which also includes [REDACTED], to which the US patent previously held by [REDACTED] was transferred. The US patent also belongs to a patent family comprising 134 patents, of which 57 are outside the pool and 9 have been transferred to [REDACTED] as a third party outside the pool.

In contrast to this presentation, essential patents outside the pool are not relevant precisely because they are not currently included in the pool. In addition, this

circumstance cannot be established for the alleged intellectual property rights, even with reference to Annex B 55, which contains an analysis of intellectual property rights with regard to their standard essentiality. Finally, it cannot be established that the conduct described above, including the transfer of patents outside the patent pool, involves the planned cooperation of these undertakings with the intention of exploiting the license seekers. This does not imply that this behavior would result in an excessively burdensome fee structure for license seekers. This is without prejudice to the fact that the defendant has also not specifically shown how this alleged overestimate becomes noticeable in terms of amount and has an effect.

Finally, at the hearing, the plaintiff argued that the inclusion of the pool members in the pool obliges them to file further standard essential patents as well. If a licensee then faces a claim by a pool member based on a patent not included in the pool, he is entitled under U.S. law to invoke the Standard License Agreement, which precludes the separate enforcement of rights to be included in the pool.

**(5)**

For other reasons, too, the composition of the pool is not exploitative vis-à-vis

██████████

This would be the case if ██████████ were forced to license even those (non-essential) intellectual property rights that it does not make use of. However, the defendant has not demonstrated this. There is no lecture from which it can be seen that when using the challenged embodiments not all standard essential or if not standard essential, then nevertheless complementary rights connected with the standard would be used. Based on the ██████████ Group's knowledge of the industry and the documents concerning the AVC standard, the cross-reference charts and the standard license agreement already submitted in the course of the negotiations, all of which could be viewed via the ██████████ website, it was to be assumed that the defendant would have been able to make such a presentation in principle.

Since the lack of standard essentiality has not already been demonstrated, it is irrelevant whether the plaintiff could have put forward an objective reason for the inclusion of non-essential patents.

**(6)**

There is also no objection to the fact that the license offer of [REDACTED] does not include an adjustment clause.

Such an adjustment clause is considered adequate to bring about the FRAND conformity of an offer extending to a patent pool in order to compensate for a possible imbalance between the fixed license fee and the variable subject-matter in the event that the existence of the pool changes (OLG Düsseldorf, decision of 17 November 2016, Ref.: I-15 U 66/15, para. 32, cited after juris; Kühnen, loc. cit, Chapter E., marginal 419), for example by expiry of the term of protection of pool patents or their final destruction. However, it is also possible to compensate an inappropriate amount of royalties invested in the variability of the intellectual property right portfolio by other mechanisms (OLG Düsseldorf, loc. cit.).

That's the way it is.

This is governed by Section 4.9 of the License Agreement:

"The licensee and the license administrator acknowledge that the royalties payable do not increase or decrease because the number of licensed AVC patent portfolio patents increases or decreases or because the prices of AVC royalty products increase or decrease.

The clause implies that the licensor assumes the risk of increasing the pool patents and the licensee assumes the risk of minimizing them. According to the plaintiff, the clause takes into account the temporal development of the patent pool, according to which a smaller number of patents is to be expected, in particular at the beginning and at the end of the term, while a larger number of patents is stored in the pool.

The fact that this is a compensatory mechanism in line with the interests of the parties is expressed, on the one hand, in the fact that the standard license agreement was accepted in this form by the licensees and, on the other hand, in the fact that the risk thus distributed has so far only been realized with regard to the licensor. This is because license fees have not been increased since the pool joined in 2004,

even though the number of patents has risen from 41 to over 5,000.

Discrimination would only exist if the license seeker were placed at a disadvantage compared to other licensees by the contractual arrangement. This cannot be established here, since the Board was unable to establish that the inclusion of such a clause in the standard license agreements is customary in the industry and that there is a negative deviation from this practice if the license agreement with the [REDACTED] group does not provide for such a provision.

In favor of the plaintiff, it is precisely the indication effect that the standard license agreement is customary in the industry that speaks in favor of the plaintiff, because this agreement has actually been concluded more than 1,400 times in practice.

The indicative effect could be countered by the fact that these many contracts themselves were not concluded under FRAND principles and that there are deviations which speak against the assumption that the standard license agreement was concluded more than 1,400 times with the same content.

In all other respects, as shown in Clause 6.4 of the Standard License Agreement, Licensees have the right to voluntarily terminate the contractual relationship subject to 30 days' notice. Thus, the licensee has the possibility to react to changing circumstances which no longer seem favorable to him for a continuation of the contractual relationship and to withdraw from the license agreement. There is therefore no need for a separate adjustment clause to protect the licensee from a constant royalty in the event of falling intellectual property rights.

As far as the defendant therefore cites reasons which are intended to shake the indicative effect, it does not penetrate with any, which will be dealt with below:

**bb)**

The defendant's further objections to the indication effect of the extensively concluded standard license agreement also do not lead to success.

**i)**

To the extent that the defendant objected to the incompleteness of individual license agreements submitted, these deficiencies have since been remedied by the plaintiff; it has filed complete license agreements with Annexes K 34 to K 36, in particular with

regard to [REDACTED] and [REDACTED]. The plaintiff has justified the incomplete first submission of the contracts in a plausible manner by the fact that it was a matter of scanning errors.

**(ii)**

The plaintiff also comprehensibly explains the page difference (ranging from less than 32 pages up to more than 32 pages) of some submitted license agreements, which the defendant has already criticized only in general terms, since without reference to concrete contracts. The differences are due to the fact that the number of pool patent holders named at the beginning of the contract document has increased, that changes have been made to the preamble, that the definition of the standard has been changed and that the Annex 1 included has itself been changed. This is even subject to a quarterly update. In its statement of 31 October 2018, the defendant does not substantially contest that argument. In that regard, the defendant shows only its actual efforts to carry out a review of the contract. The content of the license agreements will no longer be discussed.

**(iii)**

It is also harmless that Annex 1 of the standard license agreement was only made available for inspection in addition to the license agreement with [REDACTED] of 2004 (Annex B 66/K34/K26). It serves to summarize all intellectual property rights currently included in the patent pool and is subject to constant changes and adaptations in view of the expiration of intellectual property rights, etc., cf. Section 1.8 of the Standard License Agreement. The content of Annex 1 is not in itself a binding part of the contract; it only becomes effective when it has also been published on the [REDACTED] website. This is stated in Section 8.2.1. of the Standard License Agreement. The content published then applies equally to all standard license agreements in force.

**(iv)**

Nor is there any change in the content of the license offer at issue in comparison with previous license offers. The defendant has indeed made a settlement of the model license agreement with the agreement of [REDACTED] from 2006 and submitted changes occurring as screenshots through the computer program Relativity. However, it has not been specifically stated what the differences in content should be. Neither does this comparison say anything about the other frequently concluded license agreements and their content. It would have

no representational effect on other contracts, even if existing content changes were assumed.

**v)**

Nor do changes to the contents of the contract overview (Annex K14) follow with sufficient certainty. Although there under column 3, which is overwritten with "associated contract", varying contract types (e.g. Contract 4, Contract 6) and different dollar amounts are mentioned, this is irrelevant for the license agreements for the AVC standard, which were concluded thousands of times, since this table refers to the MPEG-2 standard as shown in column 1.

**(vi)**

With the investment volume K 38, the plaintiff has now also filed the renewal notifications for license agreements expiring in 2010. In its most recent pleading, the defendant no longer maintains its original concerns that this could result in content changes compared to the previous license agreements. In any case, there is no concrete presentation on the deviations in content identified.

**(vii)**

In addition, the plaintiff also submitted the order form as Annex K 37, which is required for the validity of the license agreement with the [REDACTED] as evidenced by the note in its upper right corner ("Only applies in connection with the [REDACTED] order", handwritten: 4500165362). The explanation for the combination of this license agreement with an order form is that this handling is common for public companies. As a result, the only incomplete presentation of the contract complained of on the part of the defendant was remedied.

Even if, in addition, the presentation of the sales prices shown in the order form is considered incomprehensible for lack of further explanations, this does not in any case alter the existing indicative effect. It would merely be a contract against numerous unchallenged contracts which would not undermine the validity of the other contracts.

**(viii)**

It must also be borne in mind that the license agreements challenged by the defendant represent only a small percentage of the agreements actually concluded, even if, due to a lack of time, not all the license agreements have already been

examined, and therefore do not allow the conclusion to be drawn that all the agreements were insufficiently filed, which could be detrimental to the plaintiff.

**ix)**

Finally, the validity of the thousands of license agreements is not diminished because the defendant provided data (Annexes B 64) based on information from the International Date Corporation (IDC), which shows that from 2017 to the second quarter of 2018 only 44 % of the worldwide mobile telephone market was licensed, with 42 % of licensees being made up of pool members and only 2 % of licensees being made up of companies outside the patent pool. The defendant deduces from this percentage ratio that [REDACTED] licensing practice is in any case not generalizable and representative with regard to external competitors. For several reasons, however, this criticism does not catch on.

For example, it is not evident that only those products were included in the calculation which are also AVC-capable. Only such terminal devices, whereby it remains to be seen whether only smartphones or all other terminal devices are considered, are affected at all and could be considered as potential licensees of [REDACTED]. There are also doubts as to the criteria on the basis of which the (non-)licensed companies were selected. Thus, it can be seen from the tabular compilation in Annex B 64 that those companies were also included which are obviously not mobile phone companies or electrical companies at all (e.g. [REDACTED], [REDACTED]). It is also harmless that - assuming the correctness of the figures, which could also be supported by the figures presented by the plaintiff at the hearing (column diagram and tabular presentation), since they are at most slightly different - a large proportion of the licensees are at the same time members of the relevant patent pool. At the hearing, the applicant, using [REDACTED] as an example of a pool member, demonstrated what remained undisputed, namely that not every pool member benefits to the same extent from participation in the pool. For example, [REDACTED] itself holds only 10 of its own standard essential patents and therefore has to pay higher royalties to the pool than it receives through its pro rata participation in the pool of distributions from the total royalties received. The situation is mirror image for the pool member [REDACTED], which is one of the largest pool patent holders. The applicant has thus vividly demonstrated that the market power of a pool member, which is manifestly present at [REDACTED], has no influence on the form of the internal license fees.



**cc)**

The license offer is also in accordance with FRAND against the background of the defendant's comments on a license agreement with ██████████.

██████████ is not subject to discrimination or exploitation in view of its license agreement with the pool member ██████████ for its entire portfolio of 3GPP/3GPP2 essential patents (cf. Annex B 49), if it would also agree to the worldwide license agreement provided for by ██████████. Nor does this agreement preclude the assumption that the numerous standard license agreements had the same content.

Firstly, there is nothing to criticize that ██████████, despite its capacity as a member of the AVC pool, also concludes license agreements for standard essential rights outside the AVC pool. The standard license agreement grants pool members this possibility and must do so in order to comply with the antitrust provisions of the guidelines of the EU Commission and not to establish exclusivity for the intellectual property rights brought into the pool (guidelines marginal 261; see LG Düsseldorf, judgement of 12 December 2018, file no. 4b O 4/17).

Nevertheless, the reference to the contract with ██████████ is not appropriate to show that the arrangements in the numerous license agreements are not identical and therefore cannot have an indicative effect.

The license agreement with ██████████, presented as Annex B 49, is primarily aimed at the 3GPP/3GPP2 standard and not at the local AVC standard. In any case, it is not sufficiently clear from point 5.2.1 that the AVC standard should also be included. There is only talk of "any use of the licensed product". However, there is no definition of which products the contract considers to be licensed.

The contractual clause (cf. Section 5.2) provides that ██████████ has a "pick right" to take supplementary licenses to AVC essential intellectual property rights of ██████████ as soon as ██████████ asserts the infringement of the SEP against the licensee in court.

However, there is no unequal treatment or exploitation of the ██████████ because ██████████ has shown itself willing to negotiate with the ██████████ on how to deal with license fees already paid to the pool member regarding the AVC standard.

██████████ would reimburse license fees paid to ██████████ on the instructions of the licensor. As a result, ██████████ would not be exposed to double royalty payments.

The fact that the existing contract with ██████████ with ██████████ had led to special negotiations on how license payments by ██████████ to the pool member ██████████ should be treated, speaks in favor of FRAND-compliant behavior on the part of ██████████. This is because these would be individual, possibly partial regulations, since only the rights of a pool member are affected, deviating regulations, which would also benefit ██████████ and would not constitute unequal treatment. ██████████ also had to be aware of this because - according to its own protocol note dated 20 July 2016 (Annex B 28) - the ██████████ had already signalled to it that it wanted to take account of this contractual arrangement and reimburse the license fees paid to the pool member.

Moreover, even the defendant did not claim to have already made use of the 'pick right'. This would, however, be, in addition to the conclusion of the standard license agreement, the prerequisite for the fact that ██████████ would no longer be able to assert rights to the standard at issue in this case in a readable form ("global standstill agreement") and that the question of offsetting royalties already paid would become virulent.

**dd)**

The inclusion of the Chinese market at the same license rates in the license agreement with ██████████ is in line with FRAND. There is no discrimination.

**i)**

In addition to direct unequal treatment, unequal treatment vis-à-vis other licensees may also be due to the fact that the patent holder only selectively enforces his prohibition rights, which means that he takes legal action against individual competitors in order to press for the conclusion of a license agreement, whereas other licensees may make unhindered use of the property right. In fact, this means that licensees not sued benefit from a royalty-free license even though their competitors have to pay royalties or, alternatively, are subject to a conviction. An abuse by the patent proprietor is only present in such constellations

of facts, however, if the patent proprietor can generally be expected to take legal action against the spared competitor. When this is the case must be determined on the basis of the circumstances of the individual case. The decisive factor is whether the patentee is aware of the infringer and to what extent the acts of use are extensive. It must also be acknowledged that the patent proprietor takes concentrated action against individual infringers and cannot act simultaneously against all infringers for both personnel and, above all, financial reasons (cf. Kühnen, loc.cit., Chapter E, para. 243). Nevertheless, it is necessary that the patentee states that he is prepared in principle and intends to intervene against other infringers in the future. Only then will equal treatment under antitrust law be achieved.

Even taking into account the supplementary plaintiff's statement in the oral hearing of 8 November 2018, an inadmissible approach is not apparent here, as it is only selective with regard to potential licensees.

First of all, it is not objectionable that the licensor approaches that part of an infringer/license finder which is authorized to conclude contracts with worldwide effect and is even involved itself in the distribution of the products to be licensed. In this respect, the patent proprietor regularly has an interest in approaching the parent company in order to bring about a comprehensive solution which is at the same time less costly and time-consuming (see LG Mannheim, judgment of 08 January 2016 - 7 O 96/14 -, recital 119, juris).

In principle, the patent proprietor has a legitimate interest in regulating all acts of use of a group by means of a license agreement instead of having to take legal action from individual industrial property rights or in individual countries in order to conclude a license agreement in this respect as well. In addition, SEP holders would incur higher costs if they were forced to out-license their entire portfolio under different license agreements (for a number of patents and a number of countries). Furthermore, it is often more difficult to monitor compliance with contracts and prosecute infringements of the law in the case of a number of contracts (LG Düsseldorf, partial judgement of 31 March 2016 - 4a O 73/14 -, recital 227, juris).

Accordingly, there is no reason to complain that [REDACTED] is (only) prepared to conclude licensing agreements with the parent company of the defendant, [REDACTED] with worldwide reach. In this way it is guaranteed that all distribution activities of a group are covered by a license agreement.

This is not contradicted by the fact that in other cases [REDACTED] undisputedly entered into license agreements with companies other than the parent company. There is no doubt about this approach if these agreements are concluded with all the individual distribution companies of a group in order to achieve (gradual) worldwide license coverage. This has been the case with companies based in China such as [REDACTED], [REDACTED] and [REDACTED]. The same procedure has been followed for the [REDACTED] Group. The fact that [REDACTED] became a licensee was due to the fact that only [REDACTED] was active in distribution at the time the contract was concluded.

However, the approach of requiring [REDACTED] to grant a worldwide license including the Chinese market is only FRAND if it is customary in the industry to always co-license the Chinese market.

That's the case here. [REDACTED] and the plaintiff are not able to identify any efforts that could justify the conclusion that the law is only selectively enforced.

Approximately 100 globally active competitors of [REDACTED] not domiciled in China, have undisputedly concluded the standard license agreement. These licensees include in particular: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. There are only Chinese manufacturers operating on the Chinese market without an AVC license. In particular, in addition to the [REDACTED] Group, these are [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. The applicant has not positively exempted those undertakings from the obligation to obtain a license; on the contrary, it also endeavors to conclude license agreements in that regard, which those undertakings consistently reject. The fact that no license agreements were submitted in that regard is therefore not due to incompleteness on the part of the applicant, but simply to the fact that such agreements do not exist to date.

Nevertheless, the applicant contacted all [REDACTED] competitors by e-mail for this purpose. Lastly, the plaintiff had met with Chinese companies one week before the oral hearing of the local legal dispute on 8 November 2018, whereby the talks had revealed that the outcome of the proceedings before the Düsseldorf Regional Court should be awaited before a final decision is made on the granting of a license.

The defendant's denial of ignorance regarding [REDACTED] e-mail correspondence with Chinese competitors is not important. For it is known to the court, in particular from the proceedings of the parallel chamber in Case No. 4b O 4/17, that the defendant there, [REDACTED], always behaved in a negative manner towards license negotiations. Moreover, [REDACTED] knew from the minutes of the negotiation meeting with [REDACTED] on July 20, 2016 (Annex B 28), which it prepared itself, that [REDACTED] had held talks with [REDACTED], [REDACTED] and [REDACTED] with the aim of obtaining an AVC license.

Finally, in order to avoid selective enforcement, it was not necessary to require the plaintiff or [REDACTED] to take legal action against all Chinese competitors simultaneously. This is because the licensor must be allowed to bundle his forces and enforce prohibition rights first against the infringers with the strongest markets, otherwise there is also a considerable cost risk at his expense (cf. Kühnen, loc.cit., Chapter E, para. 243). In accordance with this selection decision, which is the responsibility of [REDACTED], it initially only took action against [REDACTED] and [REDACTED]. Moreover, it has not ruled out taking action against the other Chinese competitors as well, unless agreements can already be reached with them in the light of the proceedings before the Düsseldorf Regional Court.

The regulation of a worldwide uniform license rate does not raise any concerns from the FRAND point of view. There are no obvious reasons why license rates for the Chinese market should be reduced and why overall license rates should be determined regionally.

The defendant does not succeed in sufficiently substantiating its submission that there are very strong differences in selling prices in various sales markets. On the contrary, the applicant has put forward concrete prices at which [REDACTED] terminal equipment is sold in China, North America and Europe:

	<b>selling price China</b>	<b>selling price USA</b>	<b>selling price Europe</b>
<b>Premium: phone</b>	\$ 384	\$ 336	\$ 320
<b>Basic: phone</b>	\$ 151	\$ 166	\$ 141

<b>Utility:</b>	\$53	\$ 53	\$ 52,
<b>phone</b>			

This information was not denied by the defendant. It is therefore clear that only the "Basic Phone" product group reached the same level as that for China sales prices will be lower. However, this only applies in relation to the sales prices generated in North America and the price difference is only \$ 15. In the other product categories "Premium Phone" and "Utility Phone", on the other hand, the same or even higher sales prices are achieved on the Chinese market. The large price differences claimed by the defendant to justify differentiated license rates are therefore not ascertainable. The sales figures quoted by the defendant (Annex B 50), according to which in 2016 worldwide sales of around 140 million were generated, of which only 77 million would be generated in China, are of no further significance because the relevant sales prices are undisputed.

Moreover, there are no other reasons why license rates other than those offered to ██████ should be envisaged. In particular, the associated lump-sum payments are not to be objected to, as this cannot be completely avoided when designing pool licenses. The limit of what is permissible is reached if the lump sums are unreasonable for the license seekers (LG Düsseldorf, judgment of 11 September 2008 - 4b O 78/07 -, juris, recital 101). This is not the case here. It is not unreasonable to expect that the license rates will not be differentiated by region. The defendant, for example, is right to base its assessment of this question on whether this corresponds to the customs of the industry. Only if such a staggering has been applied to other licensees would the same procedure have to be applied to ██████. However, it is not apparent that such a practice would have developed.

Thus, it is undisputed and also follows from the indicative effect of the more than 1,400 license agreements concluded that ██████ has not concluded any license agreements to date that have provided for license rates fixed on the market taking into account regional peculiarities. Accordingly, there has been no development in the practice of setting country-specific license rates. There is no discrimination against ██████ in this respect.

Regardless of the question as to why the enforcement of patent rights in the Chinese system should be relevant for the defendant as licensee when determining the license rates, since a patent must be observed from the time it exists (LG Düsseldorf, judgement of 9.November 2018, file no. 4a O17/17), all licensees would in any case be equally affected by any special features or difficulties of the Chinese patent enforcement system. There is no discrimination against the ██████ in this respect.

Finally, it is also irrelevant how the patents included in the pool are weighted according to their origin and whether Chinese patents are possibly underrepresented in them. In view of the regional distribution of IPRs, the FRAND consistency of the license rates could only be questionable if license fees were also charged for the countries in which only a single SEP is in force and used; even in such cases, however, this approach cannot be objected to if it is customary in the industry.

It is not objectionable here to take full and equal account of industrial property rights in force in China alongside the other industrial property rights. Because for one thing. This is because all licensees are equally affected by any under-representation. On the other hand, the plaintiff has in any event substantially countered the defendant's submission, which criticizes the inclusion of Chinese rights, by showing in tabular form that Chinese patents account for the fourth largest share of the patent pool. The defendant has not challenged that argument. Finally, the defendant has not argued that even the few Chinese patents would not be able to keep an interested party out of the standard market (see LG Düsseldorf, judgement of 11 September 2008 - 4b O 78/07 - Video signal coding III, juris, recitals 101 et seq.

**ee)**

The determination of the FRAND conformity of the license rates was not based on the submission of documents other than the standard license agreements themselves. In particular, the submission of the Membership Agreements was not required. These agreements exist between ██████ as license manager and the pool members, who are also licensees. The defendant insists on the submission of this document, as otherwise it cannot be established to what extent the license offer to ██████ is comparable with the license agreements with pool members and how the license income is distributed within the pool. However, this is not the relevant issue for the question of the FRAND moderation of the license offer. The Membership Agreements,

as the defendant itself states, are Internal information of the patent pool that relates to its internal entrepreneurial structures and has no direct influence on the license agreements. The mere existence of these membership agreements, which is conditioned by pool membership, does not indicate that the license agreements concluded with pool members have a different content. Moreover, it follows from the indicative effect of the license agreements concluded a thousand times that there are no differences in the content of those agreements in relation to external licensees, as the plaintiff has also shown in concrete terms using the example of the [REDACTED] group.

On the merits as well, these additional documents would only serve to control the effective license burden (effective license rates). However, it is not these effective license rates that are important to verify the FRAND moderation of a license offer. This is because the effective license rate is not sufficiently reliable, since it depends on many factors that cannot be influenced by the licensor (e.g. sales strength, product portfolio), and also varies within the group of pool members as licensees.

**ff)**

The license offer submitted does not discriminate against [REDACTED] because, as the defendant claims, it is not granted any discounts compared to other licensees.

For example, it has not already been shown that other licensees were granted discounts.

In so far as the defendant refers to instalment payment and charge agreements, those rules constitute rules on payment arrangements which, in principle, do not affect the amount of the fees payable under the standard contract.

If there are offsetting agreements, abusive unequal treatment is already excluded because it is merely a matter of compensation for any services already rendered by the licensee, and there is therefore at least an objective justification. Nor has the defendant shown that there is already a need for crediting on its part. As regards the possibility of payment by instalments, the applicant has stated that that possibility is granted to everyone. In this respect, however, the defendant has not put forward any need for such an agreement on its side either.



Nor are there any other indications that the license fees to be paid might differ from those paid by other licensees, which [REDACTED] is wrongly not offered. The defendant does not substantiate this. In particular, such indications do not follow from the overview of (originally) concluded license agreements presented as Annex K 14. The first column shows that these contracts refer to the MPEG 2 standard. For the MPEG 4 standard that is decisive here, it is irrelevant, however, whether different contract types were available for selection within the framework of another standard. With concrete reference to license agreements of the standard at issue here, the defendant did not, in any case, show that other provisions had been made.

**gg)**

The maximum amount clause in Section 3.1.1 "Royalties and payments" integrated into the license offer is reasonable and does not discriminate against the [REDACTED] Group.

**i)**

The defendant cannot rely on the fact that the royalty caps are inappropriate and discriminatory because multi-product suppliers are more likely to benefit from the cap, which was \$ 8,125,000 in 2016, due to their broader product range.

In general, there is no obligation to most-favored-nation treatment. Even a dominant undertaking cannot be prevented from reacting differently to different market conditions. This means that contracts concluded with the opposite side of the market do not always have to lead to the same economic result (see LG Düsseldorf, judgement of 9 November 2018, file no. 4a O 17/17 m.w.N.). Discrimination is ruled out if there is already no difference in treatment.

The provision of Art. 3.1 provides for a cap from a certain paid license amount as well as a free license for the first 100,000 units sold.

Section 3.1.1 of the license agreement provides for the following maximum amounts for the years from 2006 to 2020: for the period from 2011 to 2015 this amount was \$6,500,000 per year, for 2016 \$8,125,000 and for the years from 2017 to 2020 \$9,750,000 per year. In practice, this regulation leads to a situation in which the

previous license rate is (arithmetically) relativized retrospectively once this limit has been reached or exceeded and the licensee has effectively paid a lower license rate per unit sold ("effective license rates"). It is inherent to this system that companies with high turnover figures benefit more quickly from relativizing license rates per unit than those with lower turnover.

The possible cross-subsidization of companies which offer AVC products from various sectors of the electronics industry and thus reach the capping limit faster than a single-product manufacturer due to a diversified product range is neither a consequence of unequal treatment nor can the clause therefore be qualified as inappropriate.

The capping limit initially provides an economic incentive to sell large quantities in order to become royalty-free when turnover is high. However, natural competition is being promoted in this way. At the same time, promoting competition results in good enforcement of the standard. It is natural market and competitive conditions for companies to be rewarded with certain market shares and a certain market presence. Thus the mechanism of discounting - nothing else happens when the cap limit is reached - is a common means in the economy for large quantities.

There is also no difference in treatment between single-product producers and multi-product producers. Any unequal treatment presupposes that the two groups of producers are comparable at all. This is not the case in the present case because the licensing of the AVC product covers various downstream product markets, the products of which are not substitutable with each other (televisions and mobile phones). In this respect, the plaintiff offers all manufacturers the same capping limits; there is no obligation to differentiate. In so far as the defendant uses multi-product manufacturers as an example of a disproportionate advantage, it also ignores the fact that multi-product manufacturers also leave the area of license-free production of the first 100,000 units more quickly. The fact that the standard license agreement covers the encoding and decoding of AVC videos and thus various downstream markets (mobile terminals, televisions, etc.) in which this technology is used does not constitute unlawful bundling. The technology of the video format is licensed, regardless of the facility/device on which it is used. Even the coupling is not obvious, because the use of the AVC format is currently being made uniformly

available for paid use. The AVC format technique covered by the patent pool is not substitutable as such. As seen above, substitutability is not achieved by the fact that the format is used in different receivers or transmitters.

In addition, the cap also applies to one-product manufacturers whose sales activities are limited to mobile terminals. The achievement of high sales figures is not only due to the choice of products, but also to the individual business conduct of the respective competitor. Good marketing and brand management, a well-developed infrastructure and reliable distribution networks all play a role. The economic success of a product is based on numerous reasons.

These factors lead to the fact that the clause at issue in the dispute ultimately does not constitute an abuse under cartel law and that the consequence of cross-subsidization, which can occur in a company that is successful in the market, must be accepted.

The fact that licensees are actually in a position to achieve such sales speaks in favor of the appropriateness of the maximum amounts chosen. The plaintiff substantiates that by showing in tabular form, using ██████ as an example, with the exception of the Chinese market, the quantities sold, the annual turnover and the percentage share of the global market for 2016 (BI. 231 GA). The defendant does not substantially deny these numerical figures. Only their complaint was correct and in this respect now corrected by the plaintiff in the triplica that the column of the sold units concerns quantities, so that the indication of the \$-sign was wrongly made.

Moreover, the defendant itself submits that ██████ exceeds the maximum amount (see Table 1, Statement of 4 September 2017, p. 45; BI. 97 GA; Annexes B 33 and 34). In this respect, it is merely aiming at the fact that the effective license rate thus arising for it is higher than that of the ██████ group. Nor does the defendant's reference to the IDC Report, which was partially filed as Annex B 50, and the figures on units sold presented in that report lead to any other result. It is precisely from the fact that the quantities listed in the overview in Annex B 50 for the years 2014 and 2016 differ upwards from the table introduced by the plaintiff in the lawsuit that it can be assumed all the more that, even on the basis of these data, the disputed capping limit will be exceeded.

**g)**

The defendant did not fulfil its obligation under the procedure established by the ECJ and did not submit a counter-offer in accordance with FRAND.

Following the mutual [REDACTED] criteria of the ECJ, the license seekers must respond to a FRAND-compliant offer with care and in good faith and in accordance with accepted business practices in the field. If he does not wish to accept the offer, he has the option of submitting a counteroffer which, like the original license offer, must fully satisfy the FRAND criteria. In addition, this must take place within a short reaction period to the offer (Kühnen, loc. cit., Chapter E, para. 338).

Neither the first counteroffer (August 2017) nor the second (30 October 2018) are FRAND-compliant.

**aa)**

The defendant only relies on its offer of 30 October 2018, so that the first counter-offer no longer required any examination.

The second counterbid does not comply with FRAND principles.

**(i)**

Although the second counter-offer contains changes compared to the initially submitted counter-offer and, in particular, the division into three license rates was abandoned, these are nevertheless not sufficient for the offer as a whole to be regarded as FRAND.

**(ii)**

The defendant is not entitled to be granted a portfolio policy.

It must be admitted to the defendant that the preamble of the license agreement provides for the possibility for licensors to grant individual and sublicenses. In the German translation it says p. 2, 3rd paragraph literally:

"Each Licensor hereby agrees to grant to any individual, company or other entity individual licenses or sublicenses under all AVC Essential Patents on reasonable, reasonable and non-discriminatory terms and

conditions under the terms and conditions set forth herein, which may be granted by Licensor (without payment to any third party).

For antitrust reasons alone, the plaintiff was obliged to include this formulation in the standard license agreement and to grant potential licensees the option of individual licenses. Otherwise, it would inadmissibly restrict the freedom of license seekers to conclude contracts to a particular licensor and, in particular, to a particular subject matter of the contract, namely the patent pool. The license seekers would have no choice but to accept the offer on the terms submitted by the contracting party in order not to compete on the downstream product market.

A contractual restriction of the freedom of choice to a pool license, which is generally permissible as described above, is also not justified by the fact that - according to the plaintiff's undisputed submission - the granting of individual licenses has in practice never been made use of because the actual practice of the industry has developed from the outset towards the granting of pool licenses. While it is generally accepted in case law that a developed custom of the industry can be a valid argument for the FRAND conformity of certain contractual provisions, it is not clear whether the FRAND rules are in conformity with the FRAND rules. However, this would de facto lead to the fact that the offer of a licensing option other than a pool license required under antitrust law could be cancelled out by de facto customs. It would be conceivable that pool members would begin to exclusively take pool licenses, and this would be sufficient to establish such a practice due to their not inconsiderable number. Pool-external licensees would then be exposed to this practice without being able to influence it.

The exercise of the thus remaining option to license only the plaintiff's portfolio is in itself neutral under antitrust law (LG Düsseldorf, judgement of 12 December 2018, file no. 4b O 4/17).

However, the possibility of taking a license other than that offered by the patent holder is not unlimited. Rather, the conduct of the license seeker must be measured against antitrust standards. He may not exploit mandatory antitrust law provisions for the plaintiff's benefit, which would ultimately lead to a disadvantage for the proprietor of the intellectual property right behaving in a FRAND manner. Because he would be forced to issue an individual portfolio license.

Therefore, if a licensee requests a deviation from the previously practised equal treatment of all licensees, he must provide compelling and objectively justifiable reasons. Only then could it be justified from the FRAND point of view to include in the counter-offer selected intellectual property rights of a licensor.

Factual reasons for requesting an individual license may lie, for example, in the fact that the license seeker only makes use of the standard essential intellectual property rights of this one patent holder, or the license seeker, if he uses further SEPs, also intends to take individual licenses from the other SEP holders in each case. These conditions are mirrored by the prohibition of selective enforcement to which patent holders are subject. With regard to a license seeker who knows about the realization of third-party property rights, it is unacceptable in any case that he only takes isolated and selected individual portfolio licenses without the existence of an objective reason.

Measured against these criteria, the defendant did not succeed in presenting an objective justification for an individual license.

First, the defendant has not submitted that it does not use any SEPs other than those of the applicant. Secondly, it has not shown that it has serious intentions to seek individual portfolio licenses from other patent holders.

This is because the alleged willingness to license with regard to individual licenses cannot be established with the necessary certainty. It is true that the defendant also submitted a license offer directed at a portfolio license to the respective plaintiff in the parallel proceedings (4a O 17/17 and 4a O 63/17). Against this background, however, this is not sufficient to prove a serious willingness to license, as the pool consists of 38 members. In this respect, it is also neither demonstrated nor apparent that the defendant/ [REDACTED] does not make use of the SEPs of the other members or that it has also expressed its willingness to license to the other pool members. Moreover, there are more indications that such contact has not yet taken place. The defendant only makes vague statements in writing and provides for the submission of further offers only in the event that further acts of use "come into consideration" other than those currently challenged before the Düsseldorf Regional Court. With this

argument, the defendant does not clearly position itself, although it is able to make these findings as to whether other SEPs are currently being used.

This blanket argument shows that the defendant is actually unwilling to conclude individual licenses on its own initiative. In addition, the defendant is blocking any licensing efforts by pool members.

For the conduct of a license seeker no longer corresponds to the FRAND principles if he would only enter into negotiations on a license agreement on the basis of an infringement lawsuit which would have to be brought by the patent holder and is also cost-intensive (see Mannheim Regional Court, judgement of 27 May 2011, ref. 7 O 65/10). There would then no longer be any equilibrium in the licensing negotiations to be conducted, as the patent holder would be under pressure to take legal action in order to preserve the possibility of enforcing his right. This is incompatible with the test criteria established by the ECJ. After that, honest parties should face each other, who conduct serious and balanced negotiations and are interested in a license on both sides. In particular for the counter-offer, the ECJ provides that the alleged infringer must react with care to the offer submitted to him, in accordance with the business practices and good faith recognized in the field.

The defendant's behavior is unjustly tactical and protractive, although at any rate the standard essential rights are violated. If, in the course of the procedure, it itself repeatedly emphasizes that it wishes in any event to take the licenses for the rights it uses, it must be required to take active steps to that end in order to substantiate the seriousness of that intention. Without this, the defendant [REDACTED], for its part, would exploit the antitrust regulations that the licensors are also obliged to grant individual licenses, without being able to justify this objectively.

Even the motivation for concluding individual portfolio policies, which was further cited in the oral hearing, is not suited to dispel the concerns about the defendant's tactical approach. [REDACTED] intends to conclude cross-licenses with the individual SEP holders and to offer SEP holders their own intellectual property rights in exchange for the SEPs. However, in this context, the defendant was not able to identify any intellectual property rights of its own in which the licensors could have a serious (economic) interest. This would have been particularly important against the

background that [REDACTED] itself is not the owner of SEPs. Thus, there are no reasonable reasons why [REDACTED] should choose a contract structure with the portfolio license that objectively puts it at a disadvantage compared to the pool license. This is because it has to conduct individual license negotiations with all pool members, is exposed to higher license payments and higher transaction costs, even though it does not acquire licenses for more intellectual property rights as a result than under the standard license agreement (cf. LG Düsseldorf, judgement of 12 December 2018, file no. 4b O 4/17). A bona fide license seeker would therefore prefer a pool license.

Since there is already no counter-offer in accordance with FRAND, it is not important whether sufficient security has been provided.

## V.

The following legal consequences result from the infringement of the patent:

### 1)

By storing and playing the coded signal sequences, the commercial (end) customers of the defendant use the direct procedural product manufactured according to the patent in suit within the meaning of § 9 sentence 2 no. 3 PatG. In principle, the type of use of the direct process product under Sec. 9, sentence 2, no. 3 Patent Law includes any use of the direct process product which can somehow be regarded as intended or meaningful, whereby a product patent naturally requires the product to be manufactured at least once (cf. Benkard/Scharen, loc.cit., Sec. 9, para. 46).

In the case of a mobile telephone which - as is the case here - is equipped with factory equipment for playing various (standard) video file formats and whose functionality is expressly advertised, it can be assumed without any problems that storage with the possibility of later playback of videos coded in accordance with current standards constitutes a central component of the usage activities. To the extent that the plaintiff wishes to regard the sole storage of such signal sequences as an act of use in addition to playback, this can only be followed to the extent that storage may be carried out regularly, i.e. as intended, by the (commercial) end customers, but probably with the aim of playing the signal sequences at some point. Because it is not to be recognized to what extent a pure storage of video files, i.e. without later playing of these videos, should have a use value for the end customer.



In the present case, the plaintiff has substantiated by submitting its own investigations (see the plaintiff 's investigation report, submitted as Annexes K 8 and K 20) that the challenged embodiments can reproduce, i.e. decode, such signal sequences with the Google Chrome browser, which in principle is pre-installed at the factory, which have been manufactured in accordance with the H.264/AVC standard. This was also not denied by the defendants.

Since the challenged embodiments can play corresponding files, i.e. use a direct procedural product in the sense of patent law, the question is not whether (also) the undoubtedly existing possibility of storing such signal sequences in the memory of the mobile phone can in itself justify a use in the sense of Sec. 9 S. 2 No. 3 Patent Law.

**a)**

The previously established patent infringing acts of the defendant's commercial (end) customers constitute a connecting factor for the defendant's liability as a party interfering.

Since in the present case - after the part of the action directed towards injunctive relief had been unanimously declared to have been settled with regard to the expiration of the industrial property right which had occurred in the meantime - only claims for the past had to be decided, it is initially a question of whether only claims for injunctive relief and fault rectification can be asserted against the party who is fundamentally liable as a disrupter for a patent infringement of another party (Kühnen, loc. cit, Chapter D., para. 169 with reference to the BGH decision Meißner Dekor, Mitt. 2002, 251) or whether all conceivable claims for patent infringement, in particular also claims for damages, exist against the infringer as infringer (so probably BGH GRUR 2009, 1142ff. - MP3-Player-Import). The latter view must be followed, since Sec. 139 PatG distinguishes as the basis for claims for injunctive relief and damages only with regard to the fault requirement, but not with regard to the debtor himself. Therefore, it is not clear why the infringer who is only liable as a disrupter should be privileged over a third party who directly carries out the infringing act by only omitting to pay but not paying damages (BGH GRUR 2009, 1142, 1145 - MP3-Player-Import).

The infringing use of a direct process product by their commercial (end) customers was also attributable to the defendant.

According to the case law of the Federal Court of Justice (BGH), which is decisive for patent disputes, the party liable for a patent infringement is also the party who enables the protected object to be used by a third party through his own conduct in breach of duty. This applies not only in the case of intentional participation in acts of infringement by third parties, but also if such acts of infringement are made possible or promoted by a negligent breach of duty (BGH GRUR 2009, 1142ff. - MP3-Player-Import; GRUR 2017, 785ff. - Sealing system). However, the attribution of a co-responsibility contribution requires additional justification in the case of unintentional actions. As a rule, it consists of the violation of a legal obligation which in any case also serves to protect the violated absolute right and the observance of which would have meant that the contributory cause would have been lost or at least would have been recognizable as a prohibited and therefore omitted contribution of the actor to the unlawful act of a third party (BGH GRUR 2009, 1142 et seq. - MP3 player import; GRUR 2017, 785 et seq. - sealing system). Whether and to what extent there is a legal obligation to prevent a success that infringes intellectual property rights depends in the individual case on the weighing of all interests involved and relevant legal assessments. Of decisive importance is whether and to what extent action can be expected of the claimant under the circumstances of the case. There is an interaction between the need for protection of the injured party and the reasonableness of examination and action obligations to be observed by third parties: The more worthy the infringed party is of protection, the more consideration for his interests can be expected of the third party. The lower the need for protection, the more critical it must be examined whether the third party must be expected to detect infringements of industrial property rights and, if necessary, to remedy or prevent them (BGH GRUR 2009, 1142ff. - MP3-Player-Import; GRUR 2017, 785ff. - Sealing system).

Taking these principles into account, the defendant is responsible for the use by its customers, since it explicitly advertises the possibility of playing the standard signal sequences and thus accepts in any case an approving use within the meaning of Sec. 9 sentence 2 no. 3 PatG, thus deliberately enabling it. Moreover, there is no doubt at all that a significant proportion of final customers play videos on their mobile phones, since, as the Board itself can see, this standard is currently one of the most commonly used video formats.

If there is such a breach of duty of protection justifying the liability to cease, the decision as to which measures are to be taken must be made in the individual case

against the obligor by means of an actual judgement in order to avoid patent infringements by his purchasers. For the assessment of this question it may be of importance to what extent infringements have already occurred by the buyers, what level of knowledge these buyers have, how high the probability is that they consciously expose themselves to the risk of a claim due to patent infringement by further delivery of the products purchased from the infringer and what other legal possibilities the entitled party has to take action against the infringing acts of the buyer (BGH GRUR; 2017, 785, 790 - Sealing system). The BGH's sealing system is based on the fact that the situation is comparable to an indirect patent infringement, so that comparable orders can be issued as in the case of an indirect patent infringement.

Significant patent infringements can be found to have occurred because a large number of commercial customers use the challenged embodiments to play back the image data encoded in accordance with the invention. There is therefore much to be said for the fact that - as tenorated - comparable orders are issued as in the case of an indirect patent infringement.

**b)**

To the extent that the plaintiff originally also sought a conviction for indirect patent infringement by offering and supplying the attacked smartphones, since these would make the use of the image data produced in accordance with the patent possible in the first place, it made it clear in the oral hearing that the alleged infringement was based on the use of a direct procedural product, the legal consequences of which, according to the case-law of the Federal Supreme Court "Sealing System" in the context of liability to cease were oriented towards the indirect patent infringement.

**2)**

The defendant is also guilty of at least negligence. The defendant, as a specialist company, could have recognized and avoided the use of the plaintiff's patent if it had taken the care it had to take in its business dealings, § 276 BGB. The defendant therefore owes compensation for the damage suffered and to be suffered by the plaintiff for the period from the date of registration of the plaintiff, Art. 64 EPC, Sec. 139 (2) Patent Law. As the exact amount of damages has not yet been determined, the plaintiff has no knowledge of the extent of the defendant's acts of use and

infringement, it has a legal interest pursuant to § 256 ZPO that the defendant's liability for damages is determined on the merits.

### **3)**

In order to enable the plaintiff to quantify the damages to which it is entitled and the appropriate compensation to which it is entitled, the defendant is obliged to invoice its acts of use to the extent awarded, Article 64 EPC, Paragraph 140b of the Patent Law in conjunction with Paragraph 140b of the Patent Law. § 242 BGB. Contrary to the defendant's view, it also owes accounting for production costs and profits in the present case. In cases where the SEP holder has issued a FRAND declaration, the claim for damages may be limited to a license analogy, with the consequence that only those factors must be taken into account which are necessary for the calculation of the license, i.e. not also profits on the part of the defendant. However, this only applies if the defendant has fully complied with its FRAND obligations (see Kühnen, loc. cit., Chapter E., para. 389), which could not be established in the present case.

### **B.**

With regard to the objections raised by the defendant against the patent in suit, it was not necessary to suspend the legal dispute pursuant to § 148 ZPO until a decision on the nullity action had been reached in the first instance.

### **1)**

According to settled case law of the Chamber (Mitt. 1988, 91 - nickel-chromium alloy; BIPMZ 1995, 121 - hepatitis C virus), which was also ruled by the Düsseldorf Higher Regional Court (GRUR 1979, 188 - flat roof outlets; Mitt. 1997, 257, 258 - Steinknacker) and by the Federal Supreme Court (GRUR 1987, 2784 - Transportfahrzeug), an opposition against the patent in suit or the filing of a nullity action as such does not in itself constitute a reason for suspending the infringement lawsuit, because this would in fact amount to attributing to the attack on the patent in suit an effect inhibiting patent protection which is foreign to the law. On the contrary, a suspension is in principle only necessary if it is to be expected with sufficient probability that the patent in suit will not withstand the nullity action brought (see BGH GRUR 2014, 1237, 1238 - Kurznachrichten; Kühnen, loc. cit., Chapter E., para. 652). As a rule, this cannot be assumed if the nullity challenge is aimed at questioning novelty or inventive step when finding the doctrine in accordance with the patent in suit, but reasonable arguments can still be found for an affirmation of

patentability, which in this respect also depends on the evaluative assessment of the competent instances. The same applies in cases where the cited prior art to the patent in suit has already been taken into account in the grant procedure or the patent has been maintained in the first instance (cf. Kühnen, loc.cit., Chapter E., para. 655 et seq.).

Something else does not apply in the present case because the patent in suit has expired in the meantime due to the passage of time. For even in these cases, according to the prevailing view (still), it is held that the suspension standard cannot be lowered (cf. Kühnen, loc. cit., Chapter E., para. 654; loc. cit. Klepsch/Büttner in Festschrift 80 Jahre Patentgerichtsbarkeit in Düsseldorf; Benkard/Grabinski/Zülch, loc. cit., § 139, para. 107). Ultimately, however, it may remain to be seen to what extent a simplified suspension standard can be applied with regard to the temporal expiry of the patent in suit, since in any case in cases in which a suspension already appears indicated on the basis of the normal standard or the success of the nullity challenge cannot be established even with a reduced standard, a decision of the dispute does not have to be made.

## **2)**

The Board was unable to establish a correspondingly sufficient probability of success for the nullity action.

### **a)**

First, the Board is not certain with the requisite probability that the defendant's action for annulment will penetrate with regard to the existence of an inadmissible extension.

An impermissible extension exists if the subject-matter of the patent application is amended so that it goes beyond the content of the application as originally filed (Moufang in Schulte, Kommentar zum Patentgesetz, 10. Auflage 2017, § 38 PatG / Art. 123(2) EPC, para. 13). An amendment of the claims constitutes an inadmissible extension only if it extends not only the scope of protection in accordance with the original disclosure but also the subject-matter of the application. This is the case if the amendment of the claim discloses for the first time an object which was not part of the original application (Schulte/Moufang, loc. cit., para. 15). The decisive factor in this respect is whether the skilled person can directly and unambiguously infer the amended subject-matter from the original application documents (Benkard/Schäfers,

loc. cit. § 38, para. 35; Schulte/Moufang, loc. cit. When examining a possible inadmissible extension, the disclosure content of the entire application documents, i.e. the entire content of the parent application, must be taken into account in accordance with the ratio legis - maintaining priority only for the technical doctrine disclosed in the application. This is not to be limited to the patent claims formulated in the parent application, but results from the entire parent application together with the drawings (cf. BGH GRUR 2005, 1023, 1.024 - Einkaufswagen II; BGH Mitt. 1996, 204, 206 - Spielfahrbahn; BGH GRUR 1992, 157, 158f. - Frachtcontainer; as a result also Benkard/Rogge, loc. cit., § 21 para. 30; Schulte/Moufang, loc. cit., § 21 para. 55).

Taking these principles into account, the procedural claim asserted should not be inadmissibly extended with regard to feature 5.

The defendant submits that feature 5 is inadmissibly extended as compared with the original application because feature 5, in the version granted, does not require or require that the information on the basis of which the dynamic code allocation takes place must also be dynamic. However, this had been disclosed in the form 1 (paragraphs [0169] - [0174] of the patent in suit) contained in the original application. On the other hand, the wording of the claim allows the information to be determined statically.

In that regard, the defendant misconstrues the fact that a dynamic code allocation, such as it requires feature 5, is possible only if the information necessary for the code allocation is also determined dynamically, namely on the basis of the frequency of use of the respective memories. If the information according to the invention would be static, i.e. not changeable, the code allocation would also take place statically, since the information cannot change independently of the frequency of use of a memory and thus also the code allocation is not changed. However, since it is important to the patent in suit that the code allocation can change on the basis of the frequency of memory use, this inevitably requires, from the point of view of a specialist, that the information must also be able to change (dynamically). Nothing else results from the design form 1 which is open to the public and describes a dynamic adaptation of the ranks on the basis of the frequency of use.

There is also no inadmissible extension of feature 5 because it does not specify that a particularly short code word must be assigned to the coding of a very frequently used memory. First, such a limitation of the inventive idea cannot be inferred from

the original application documents. To the extent that the defendant refers to a text passage on p. 67, line 15-19 of Annex K22 (which corresponds to paragraph [0173] of the patent in suit), it misjudges that this paragraph speaks of the fact that a short code word can contribute to increasing efficiency, but that the text passage is only an optional form of the general idea of invention. While the original declaration on p. 66, lines 15-23 generally describes the causality between code allocation of the reference memory number and frequency of use, further concretizations follow in the text passages afterwards, to which also the text passage referred to by the defendant on p. 67 belongs, which are introduced however with "for example" ("For example"), so that these data cannot be understood as restrictive. In its decision T 2009/11-3.5.04 (Annex NK 8/NK 8a), the Board of Appeal of the European Patent Office also already dealt with the question of whether an impermissible extension exists in this respect and confirmed as a result that the code assignment in the original application is not necessarily limited to the assignment of a short code to a memory used at a high level (cf. No. 3.3. of NK 8/NK 8a).

**b)**

The Board was also unable to establish with sufficient certainty that the Federal Patent Court would destroy the patent on the grounds of lack of novelty in the light of the citations NK 12 and NK 13.

A citation is harmful to novelty if the entire doctrine of the patent in suit claimed as an invention results from this document, the entire contents of which are to be determined, for the person skilled in the art on the priority date in such a way that the technical solution presented there reveals to him directly and unambiguously all features of the invention. The technical teaching of the patent specifications is not limited to the content of the claims, but includes all the technical information that an average expert can obtain from claims, descriptions and illustrations (cf. BGH GRUR 2009, 382, 384 - Olanzapin).

The citation NK 12 does not reveal all features of the doctrine according to the patent in suit.

The subject of NK 12, entitled "ITU-T H.261 Line transmission of non-telephone signals", is the H.261 standard, which contains the first common digital video coding standard and on which all subsequent standards (MPEG-1, MPEG-2 through to the AVC/H.264 standard at issue here) are based.

As can be seen from the introductory words ('scope'), the NK 12 describes a method for encoding and decoding videos for moving image components of audiovisual services at p x 64 kbit/s. The NK 12 is a video encoding and decoding system.

However, contrary to the defendant's view, the NK 12 already does not disclose feature 2, according to which there must be several reference image memories in the coder for storing image data of several reference images to be used for prediction. In that regard, the patent seeks the existence of several reference image memories in which the image data of several reference images to be used for the prediction, i.e. whole images, can be stored.

In its paragraph [0065], the patent in suit defines a "frame" as an (entire) image that can be broken down into macro blocks. Figure 30 also shows that a picture within the meaning of the patent in suit can consist of a large number of macro blocks of size 16x16. It follows that a picture in the sense of the patent in suit must be a whole picture. The expert also concludes this from the systematics of the claim, since feature 3.1 refers to image segments, i.e. a part of an image. However, if - as the defendant claims - the patent in suit would also understand a partial picture or a single block by a picture, the use of the term picture segment would be superfluous.

On the other hand, the NK 12 in its Figure 3 reproduced below reveals a source encoder that has a picture memory (P):



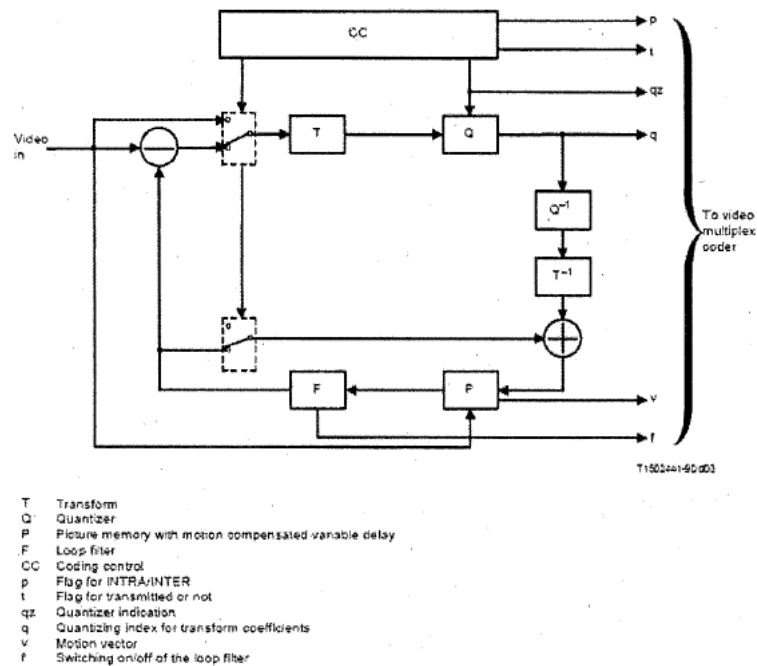


Figure 1 Source coding according to the H.261 standard (Figure 3/H.261)

One or more blocks can be stored in this memory. Thus the NK 12 lacks an immediate and unambiguous revelation of the storage of several whole pictures.

In this respect, it remains to be seen whether it is possible to speak of several reference image memories in the sense of the patent in suit because several blocks can be stored in one memory of the NK 12.

The NK 12 also does not disclose feature group 3 with the necessary direct and unambiguousness.

According to feature group 3, the claimed method comprises receiving a parameter representing a motion of an image segment to be predicted (feature 3.1.) and receiving a reference memory number indicating a reference image memory to be used for the prediction (feature 3.2.). The expert understands the parameter to be received according to feature 3.1 as a motion or distortion vector. In contrast, the

expert understands a reference memory number as information that designates the memory to be used.

NK 12 - as the defendant itself admits (Statement of Defense, p. 44 of the file) - explicitly does not disclose a reference memory number by means of which the image to be used for the prediction is identified. The defendant submits that the expert nevertheless recognizes the necessity of the doctrine of NK 12 to address the memory of the block to be used (not the whole image) and that he carries out this addressing as a reference memory number by means of the motion vector disclosed in Section 3.2.2 of the NK 12, whereby according to Section 4.3.2.1 it is embedded in the bit stream by means of a code word. It fails to recognize that the motion vector as such is not suitable for addressing a specific memory area. Rather, the memory allocation results only from the vector and the macroblock address revealed in Section 4.2.3.1.

Even if the expert regards the motion vector and the macroblock address as coherent information constituting a reference memory number within the meaning of the patent, he would regard feature 3.2 as directly and unambiguously disclosed by the NK 12, which is very doubtful, in that case there is no disclosure of characteristic 3.1, since the motion vector does not represent a parameter within the meaning of that characteristic, since it would already be part of the reference memory number.

The defendant also no longer opposed the corresponding submission of the plaintiff in the rejoinder.

Against the background of lack of disclosure of features 2 and 3, it remains to be seen whether NK 12 discloses features 4 and 5 directly and unambiguously.

Just like NK 12, citation NK 13 does not oppose the patent in suit in a way that is detrimental to novelty, since there is no direct and unambiguous disclosure of feature 5.

Citation NK 13 concerns an essay entitled "Very Low Bit-Rate Video Coding with Block Partitioning and Adaptive Selection of two Time-Differential Frame Memories" published in IEEE Transaction on Circuits and Systems for Video Technology in February 1997 by the inventors of the patent suit.

It is undisputed between the parties that the NK 13 discloses the features 1 to 4 of the procedure according to the invention.

Feature 5 of the patent in suit requires encoding of the reference memory number according to information that dynamically determines code allocation to the reference memory number based on the frequency of use of the respective memories for prediction. As already explained in the context of the description of the standard essentiality, the plaintiff's patent distinguishes itself from the known prior art by the fact that a dynamic and not a static code allocation to the reference image memories takes place. The dynamic code allocation is characterized by the fact that it can be changed during the coding process and thus certain short or long-term reference images, which were initially not so frequently used but are now increasingly referred to, can be coded more efficiently by changing the reference memory number. In this respect, the plaintiff's patent also describes a first example in the context of the presentation of the state of the art in paragraphs [0063] et seq., in which the coding is undisputedly done statically on the basis of a variable length coding (VLC) and thus not in accordance with the patent.

NK 13 discloses a procedure based on VLC coding as also described in paragraphs [0063] et seq. of the patent in suit. The NK 13 also reveals two different reference image memories ("Short Term Frame Memory" = STFM and "Long Term Frame Memory" = LTFM), whereby the NK 13 - like the defendant admits - does not provide any information on how the VLC coding is to be carried out. In that regard, the expert does not have a clear indication that a dynamic adjustment is taking place, in particular against the background that the NK 13 does not indicate that a reference memory number comprising a particular frame is assigned a code which can be changed in the course of the coding process. On the contrary, according to the doctrine of NK 13 - after the plaintiff's unchallenged submission - a reference memory number for a memory in which a particular frame is stored is always assigned the same code, since the frame is stored either in the LTFM or in the STFM and a change is not intended.

**c)**

With regard to a possible lack of inventive step on the basis of NK 10, the Board also cannot establish a sufficient probability of revocation.

The chamber with no technical expertise cannot establish with sufficient certainty that the person skilled in the art, on the basis of EP [REDACTED] (NK 10), which is referred to by the patent in suit as prior art, in combination with US [REDACTED] (NK 15), US [REDACTED] (NK 16) or US [REDACTED] (NK 17). The affirmation of a certain probability of destruction (and consequently of a suspension order) is prohibited if the technical facts at issue in the existing rights proceedings are so complex that the infringement court cannot gain any real insight into the circumstances (Kühnen, loc. cit., Chapter E., para. 657). So present.

Although there is no dispute between the parties that the NK 10 anticipates features 1 to 4, the NK 10 - also undisputed - does not disclose feature 5. On the basis of the complex technique and the only general submission of the defendant on the disclosure content of the NK 10 (pp. 69 to 71 of the duplication), which was also made for the first time with the duplication, it is not possible for the Board to determine with the necessary certainty whether the NK 10 - as claimed by the defendant - also contains one reference memory number. The defendant does not argue this either, but rather refers to various figures of the NK 10 in general terms in order to substantiate a reference memory number without explaining them in detail.

In addition, the defendant, who is burdened with arguments and evidence in this respect, has failed to state what reason the expert should have had to combine NK 10 precisely with the documents NK 15 to NK 17 referred to. It cannot be assumed that a person skilled in the art will combine the above-mentioned fonts without the appropriate reason.

**d)**

Finally, it cannot be established with the necessary certainty that the subject-matter of the invention has not been disclosed so clearly and completely that the person skilled in the art cannot execute it.

The invention must be disclosed so clearly and sufficiently that the person skilled in the art, without inventive step and without unacceptable difficulties, is in a position to practically realize the teaching of the patent claim on the basis of the complete disclosure of the patent specification in connection with the general expert knowledge on the filing or priority date in such a way that the desired success is achieved (cf. LG Düsseldorf, judgement of 1 February 2018, file no. 4b O 46/16).

A sufficient disclosure for the executability is given if the person skilled in the art, without inventive step and without unacceptable difficulties, is able to practically realize the teaching of the patent claim on the basis of the complete disclosure of the patent specification in connection with the general expert knowledge on the filing date or on the priority date in such a way that the desired success is achieved. It is therefore not necessary that the patent claim already contains all the information necessary for the execution of the invention. Rather, it is sufficient for the expert to be able to obtain the necessary details from the general description or from the examples of execution (cf. BGH, GRUR 2010, 901 - Polymerisierbare Zementmischung).

In principle, the applicant is free not to limit the protection claimed to embodiments expressly described in the original documents, but to make certain generalizations. If a patent claim contains a generalizing wording, this may lead to the fact that it also includes embodiments which are not specifically addressed in the description. However, this does not necessarily mean that the invention is no longer disclosed in whole or in part in such a way that the person skilled in the art can execute it. The individual circumstances are decisive (see BGH, GRUR 2013, 1210 - Dipeptidyl peptidase inhibitors). In this context, the BGH also allows the choice of a functional feature to suffice if the generalization contained therein takes into account the legitimate concern to cover the invention in its entirety. This is not precluded by the fact that a functional version of the feature includes the use of as yet unknown possibilities which may only be made available or invented in the future if this is the only way to provide adequate protection. In such a case, the invention is in principle already sufficiently disclosed if it shows the expert at least one way to its execution (cf. BGH, GRUR 2013, 1210 - Dipeptidyl peptidase inhibitors).

In the light of those principles, the Board was unable to establish that the invention was unfeasible.

Insofar as the defendant submits in general terms that the patent in suit does not tell the skilled person according to which criteria or on which basis the memory to be used for the prediction is to be selected from a large number of reference image memories, this argumentation cannot justify a lack of feasibility.

The expert can infer from Figures 1, 3 and 19 that the reference memory signal indicates the motion compensator which memory is to be used for motion compensation, so that a prediction picture candidate can be read from the memory (see also paragraph [0075] of the patent action). The prediction picture candidate(s) thus obtained are forwarded to the prediction mode selector, which selects a particular candidate on the basis of the smallest prediction error signal (see paragraph [0077]). Finally, the selected prediction candidate is output by the prediction mode selector with the corresponding prediction mode, the prediction mode containing the information about the memory used, i.e. the reference memory number.

To the extent that the defendant also submits that the skilled person cannot infer from the patent in suit how the code allocation to the reference memory number required under feature 5 is carried out by the predictive information encoder shown in Figure 19 is not caught by that argument either.

In paragraph [0077], the patent in suit discloses that the prediction mode output by the prediction mode selector displays the information about the memory to be used. This prediction mode is then passed on to the variable length encoder/multiplexer so that it can encode the information about the memory used, the reference memory number. The prediction information encoder, as well as the prediction mode which outputs the reference memory number, is indicative of Figures 1 and 19 integrated in the variable length encoder/multiplexer with the consequence that the reference memory number is also present to the prediction information encoder as part of the multiplexer.

### C.

The subsidiary decisions follow from §§ 91 (1), 91a (1) sentence 1, 709, 108 ZPO.

#### 1)

Insofar as the parties have unanimously declared the legal dispute to have been partially settled due to the expiration of the patent in suit, the plaintiff was also entitled to an injunction at the time of the settling event, in this case the expiration of the patent in suit, for the reasons stated under No. A.II., with the consequence that the action was also justified in this respect and the defendant is therefore obliged to bear the costs attributable to this part, cf. § 91a (1) ZPO.

**2)**

The security was to be fixed at the amount of the (residual) value in dispute remaining after partial settlement of the dispute.

As a general rule, the damage caused by the enforcement - and thus the security - corresponds to the amount in dispute. For the determination of the amount in dispute depends on the interest of the plaintiff in the sought-after court decision, the calculation of which, in the case of a claim for injunctive relief - which is also in the foreground here - is based not only on the value and significance of the infringed legal position of the plaintiff, but also on the extent of the actions challenged (OLG Düsseldorf, GRUR-RR 2007, 256 - Sicherheitsleistung/Kaffeepads). In any event, enforcement security is typically not to be rated higher than the value of the claim. This is because the level of enforcement security to be ordered by the Regional Court depends only on the debtor's presumed enforcement damage in the short period up to the appeal hearing and the subsequent pronouncement of the appeal decision, because it creates its own new basis for enforcement, and, in addition, non-enforceable parts of the judgment (such as the declaratory tenor), all claims and the entire period up to the regular end of the patent term are relevant for the assessment of the value in dispute (OLG Düsseldorf, GRUR RR 2012, 304 - Höhe des Estreckstreckungsäden). If, on the other hand, it is to be expected - exceptionally - that a security fixed at the amount in dispute will not fully cover the imminent damage caused by the enforcement, it is up to the defendant to provide the court with the concrete indications for this (see OLG Düsseldorf, InstGE 9, 47). This requires neither detailed accounting nor the dissemination of internal business information. A generalizing presentation that makes the claimed sales and profit figures comprehensible and plausible is sufficient, but also necessary. In many cases, it will suffice to fall back on documents such as business reports or the like which are accessible to third parties anyway or to submit an affidavit of the managing director or another competent employee specified in accordance with the above (cf. OLG Düsseldorf, InstGE 9, 47).

The defendant has not provided any concrete indications that there is to be feared an enforcement loss in excess of the value in part of the dispute. The defendant has argued that in 2017 the sale of mobile phones compatible with the AVC/H.264 standard generated a gross profit of 193.03 million US dollars, equivalent to 169.46

million euros. The affidavit of Mr. [REDACTED], Supervisor of the Operational and Management Department of [REDACTED] Terminal Cl. Ltd. (Annex B 66) it cannot be inferred, however, that this is a profit of the local defendant, i.e. [REDACTED] German subsidiary. The affidavit merely states that a gross profit of 193.03 million US dollars was achieved with the sale of AVC-compatible terminal equipment in Germany, but does not explain why an approximately equal profit is to be expected for the future and for what reason it should be relevant for the benefit of the local defendant. This is also not apparent from the press article submitted as Annex B 65. In addition, formal aspects cast doubt on the superficial information in the affidavit. The declaration was made by a person not resident in Germany and a person not working for the defendant here, so that there are grounds for doubt that the information provided was made precisely with reference to the German defendant.

**3)**

Protection against enforcement within the meaning of § 712 ZPO is not to be granted to the defendant, since it has neither set out the requirements of § 712 (1) ZPO nor made them credible pursuant to § 714 (2) ZPO.

**4)**

The defendant's pleadings of 30 November 2018 and 11 December 2018, which were submitted after the conclusion of the oral proceedings, were not taken into account in the decision and did not give rise to reopening, §§ 296a, 154 ZPO.

**5)**

The amount in dispute - until the settlement of the injunctive relief - had to be finally increased to EUR 30,000,000.00 and from this point on to EUR 10,000,000.00. For only the plaintiff's interest - not that of the entire patent pool - amounts to USD 100,000,000.00 in license debt. Thus, in the final analysis, only the interest with regard to the determination of damages is addressed. Taking into account the further claims for injunctive relief and information, the provisionally determined amount in dispute in the amount of EUR 5,000,000.00 appears to be far underestimated.



Certified

*Brasel*  
Brasel  
Chief Justice Secretary

