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CLARIFICATIONS ON LICENSING OF STANDARD ESSENTIAL PATENTS GERMAN FEDERAL SUPREME COURT ISSUES ITS FINAL RULING IN SISVEL VS. HAIER CASE

Luxembourg, July 2, 2020 – Yesterday, the German Federal Supreme Court (“BGH”) handed down the motivation of its May 5 decision in re Sisvel vs. Haier to the parties. The decision provides clear guidance on many long-debated issues regarding negotiations of technology licenses for standard essential patents (“SEPs”).

Hold-Out Strategies Have No Future

One of the key elements set forth by the Court is the required level of engagement for an implementer of patented technology to be considered “willing” to take a license. The Court is addressing the hold-out strategies applied by many implementers and also used by Haier in the present case. The Court points out that an implementer must actively engage in the licensing negotiations with the clear, distinct and unconditional intention of obtaining a license. The hollow statement to be “willing” alone, but with no real engagement visible, is not sufficient. This is even more true if the implementer does not react for months to a licensing offer addressed to it.

Portfolio Licenses and Worldwide Coverage

In line with earlier statements and guidelines published, among others, by the European Commission, the Court recognized that portfolio license offers or other offers including several standard essential patents needed by the implementer have positive effects and do not raise antitrust concerns. The patent owner is not required to license a smaller subset of SEP patents compared to its offer, rather, such offer serves the implementers’ very own interest by creating efficient access to a larger SEP portfolio in one go. In this context, the Court further confirmed that worldwide licenses are usual and accepted practice.

Implementer’s Duty to Make Own Assessments

The owner of a SEP shall indicate to the implementer how a patent is infringed, and patent owner can do so, but is not obliged to do so, by providing claim charts. The Court, however, made clear that the implementer cannot make excessive requests for detailed technical explanations and use this as delay tactics by only pretending to be interested in a constructive exchange. According to the Court, the implementer must make its own assessment on the alleged infringement of a patent owner’s patents and cannot pretend to simply be on the receiving end. In case the implementer cannot make the assessment itself, it shall seek external professional support. Not having access to resources in-house is no excuse.

FRAND Declarations Do Not Imply Everyone Gets the Same Offer

Patent owners are not obliged to offer identical conditions as a kind of uniform tariff (“Einheitstarif”) to all implementers. The Court leaves no doubt that no such obligation results from the patent owner’s FRAND commitment. Rather such declarations serve to guarantee that all implementers can access a given standardized technology, as also recognized by the European Commission – provided they accept to pay a for a license under FRAND terms.

Licensing standard essential patents requires a non-discriminatory offer to the potential licensee. However, the Court recognized that patent licensing sits firmly in business realities: not every license concluded previously by a patent owner can serve as reference also for the next license offer under the same patents. A license already concluded that is “the best a patent owner could get” under specific circumstances, shall not become a reference for the patent owner also in future cases. Conditions may differ, as long as competition between licensees in similar conditions is not distorted.



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Mattia Fogliacco, President of Sisvel Group:

“We believe that the BGH has made a clear decision on how the courts and licensing professionals should approach the question of the FRAND obligations of implementers” said Mattia Fogliacco, President of Sisvel Group. He continues: “The BGH provided clear guidance first by recognizing the existence of hold-out tactics in the market and then by defining with great clarity the obligation of the implementer to actively pursue a license to the patents he unavoidably practices. The court also recognizes that licensing agreements may present variations due to business realities. This is a landmark decision and the court did the entire technology and innovation ecosystem a great favor.”

Florian Cordes, Sisvel’s Head of European Litigation:

“We are particularly happy that the German Federal Supreme Court used the opportunity to further set the record straight with regard to a legal aspect much discussed in the recent past”, says Florian Cordes, Sisvel’s Head of European Litigation and an attorney admitted to the German bar himself. “The Court reconfirmed that injunctions against unwilling licensees are fully available also for standard essential patents. No word about proportionality checks to be applied in this context. Only an implementer who makes a distinct and unconditional license offer under FRAND terms does not need to fear an injunction: this should close the door to hold-out strategies.”

About Sisvel’s MCP Licensing Program

The patents asserted against Haier are part of both Sisvel’s bilateral “Wireless” program and its “Mobile Communication Program” (MCP). The Sisvel MCP is a licensing platform that licenses cellular (2G, 3G, 4G) standard essential patents, which are owned by a variety of companies, including Airbus DS, KPN, Mitsubishi Electric, Orange, Sisvel and 3G Licensing.

For additional information about the program, please visit the dedicated section of our website: <https://www.sisvel.com/licensing-programs/wireless-communications/mcp/introduction>

About Sisvel

Sisvel is a world leader in fostering innovation and managing IP. The group identifies, evaluates and maximizes the value of IP assets for its partners around the world, providing firms with a revenue stream which can be reinvested in innovation for the generation of future revenues. Sisvel has more than 35 years’ experience in the management of successful patent portfolios, including those relating to audio compression standards (MP3 and MPEG audio), as well as broadcasting and digital terrestrial television standards maintained by the Digital Video Broadcasting Project. Sisvel operates patent pools and joint licensing programs in the fields of mobile communication, wireless local area networking 802.11, video coding, digital video broadcasting, recommendation engines and broadband access to data networks.

For additional information, please visit: www.sisvel.com

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