



Antitrust Watch

SEP licensing in supply chains: ECJ gets opportunity for a major trend-setting decision

Lars Mesenbrink (<https://blogs.orrick.com/antitrust/author/lmesenbrink/>), Julius Schradin

(<https://blogs.orrick.com/antitrust/author/jschradin/>) and Jay Jurata (<https://blogs.orrick.com/antitrust/author/jjurata/>)



In a decision of November 26, 2020 in a patent infringement case of Nokia Technologies Oy against Daimler AG, the Düsseldorf Regional Court (file number 4c O 17/19) referred several questions to the European Court of Justice (ECJ) regarding the licensing of standard essential patents (SEPs) within multi-level supply chains. The Düsseldorf Regional Court suspended the infringement action until the decision of the ECJ. These questions referred to the ECJ address whether SEP owners are obligated to make licenses available to upstream component suppliers and the implications for the failure to do so, which are some of the biggest unresolved disputes involving

SEPs. The questions also seek clarification on some of the “safe harbour” requirements for seeking injunctions set forth in the ECJ’s decision in the Huawei./ ZTE case (judgment of July 16,2015, C170/13).

In the lawsuit, Nokia is seeking an injunction against Daimler for an infringement of the German part of its European patent EP 2 087 629 B1. The patent concerns a method for sending data in a telecommunications system, whereby the patent is essential for the LTE standard (4G). LTE-capable modules from various suppliers of automotive parts make use of this standard. These modules are installed in cars of the automobile manufacturer Daimler and enable mobile radio-based services such as music or data streaming and/or over-the-air updates of specific software in cars.

In September 2014, Nokia’s predecessor in title indicated that it considered its patent essential to the LTE standard and issued a statement committing to grant licenses to third parties on terms that are fair, reasonable and non-discriminatory (FRAND). Both Daimler and many of its suppliers have so far used the patent without paying royalties.

Nokia argues that, as the owner of an SEP, it is free to decide at which stage of a complex production and supply chain it grants licenses on FRAND terms.

In contrast, Daimler and its upstream component suppliers argue that, based on the rules of the EU internal market and the FRAND declaration of September 2014, Nokia, as the owner of the SEP, must offer every license seeker, who is willing to obtain a license for the SEP, an individual unlimited license for all patent-relevant types of use of the SEP. Therefore, priority should be given to the license-seeking suppliers, which would correspond to the standard procedure in the automotive industry.

In the referral decision, the Düsseldorf Regional Court assumed that Nokia has a claim for injunction against Daimler due to a patent infringement. However, the court raises the question whether Nokia’s assertion of its injunctive relief against Daimler can be regarded as an abuse of its undisputed dominant position in the licensing market. The decisive question would be whether and, if so, under which circumstances the owner of an SEP

abuses his dominant position if he files an action for injunction on the grounds of a patent infringement against the seller of an end product without first having complied with the licensing request of the suppliers that use the SEP as well.

Specific questions referred to the ECJ

1. May a company, that is active on a downstream economic level, raise the objection of an abuse of a dominant position within the meaning of Art. 102 TFEU against an action for injunction due to the infringement of an SEP, if the standard (or a part of the standard) is already implemented in an intermediate product purchased by the infringing party whose supplier are willing to obtain a license and the patent owner refuses to grant an unlimited license for all patent-relevant types of use under FRAND conditions for products implementing the standard?
2. Does the prohibition of an abuse of a dominant position require that the supplier be granted its own unlimited license for all types of use on FRAND terms for products implementing the standard in the sense that the final seller (and possibly the upstream buyers) in turn no longer need a separate license from the SEP owner in order to avoid the infringement of the patent through the intended use of the relevant parts of the suppliers?
3. If the question 1) is answered in the negative: Does Article 102 TFEU impose specific qualitative, quantitative and/or other requirements on the criteria according to which the owner of an SEP decides against which potential patent infringers at different levels of the same production and exploitation chain he takes action for injunction?
4. Notwithstanding of the, fact that the duties of conduct to be performed by an SEP owner and an SEP user (notification of infringement, licensing request, FRAND license offer; license offer to the supplier to be licensed with priority) must be fulfilled prior to a court proceeding, is it possible to make up for duties of conduct that were missed prior to a court proceeding in the course of a court proceeding?
5. Can a considerable licensing request by the patent user only be assumed if a comprehensive assessment of all accompanying circumstances clearly and unambiguously shows the intention and willingness of the SEP user to conclude a license agreement with the SEP owner on FRAND conditions, whatever these (in the absence of a license offer not foreseeable) FRAND conditions may look like?

Timing and Implications

It likely will take between one to two years until the questions are fully briefed and the ECJ rules on the questions.

Notwithstanding the delay, these questions will provide the ECJ with an important opportunity to make a decision that will have a major impact on supply chains around the globe. They also will reduce the likelihood, pending the ECJ's decision, that courts in Europe will issue injunctions against automotive manufacturers for cellular SEPs when upstream telematic component manufacturers are willing to enter FRAND licenses. Finally, they likely will influence ongoing efforts by the European Commission to provide policy guidance to improve transparency and predictability in SEP licensing.

The answers of the ECJ will give guidance and can be expected to have a tremendous effect not only in the automotive industry, but for any industry that relies on SEPs. The further proceedings will, thus, need to be followed closely.