

Alerts & Publications



Germany's Federal Cartel Office Calls for the EU Court of Justice's Guidance on Important Patent Licensing Issues

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On June 18, 2020, Germany's Bundeskartellamt (Federal Cartel Office) filed an *amicus curiae* brief in German patent litigation between Nokia and Daimler AG, recommending that the European Union's highest court—the Court of Justice of the European Union (CJEU)—opine on a series of questions that go to the heart of disputes over the licensing of standard-essential patents (SEPs). According to reports, the Federal Cartel Office called on the Mannheim District Court to seek a preliminary ruling from the CJEU on how to interpret EU law with regard to four questions:

1. Whether a SEP holder's refusal to fully license a component manufacturer, while simultaneously pursuing an infringement action and injunctive relief against a manufacturer of the end product, constitutes an abuse of dominance under Article 102 of the Treaty on the Functioning of the European Union (TFEU);
2. Whether a SEP holder is free to choose the target of an infringement action regardless of the target's position in the value chain, or whether certain criteria need to be taken into account;
3. Whether patent infringement lawsuits pursued by SEP holders against a given company in the supply chain serve a competitive purpose, when other companies in the supply chain are willing to take a license but do not receive a full license from the SEP holder; and
4. Whether holders of FRAND-encumbered SEPs can refuse to license firms at certain stages of the supply chain.

The Federal Cartel Office's intervention is the latest development in a long-running battle between wireless SEP holder Nokia and automobile manufacturer Daimler, that, according to the agency, "*has raised general antitrust issues which are relevant beyond the scope of this particular case.*" Nokia and other wireless SEP holders have sued Daimler in German district courts, seeking exclusionary remedies for Daimler's alleged infringement of patents claimed to be essential to various wireless communication standards. For their part, Daimler and certain automotive component manufacturers asked the European Commission's Directorate-General for Competition to investigate Nokia's licensing practices as potential abuses of dominance under the TFEU.

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The Mannheim District Court had been set to issue a decision in one of the Nokia-Daimler infringement cases, but has reportedly postponed that decision until at least August 4, 2020—quite possibly on account of the Federal Cartel Office’s letter.

The Federal Cartel Office’s initiative comes at a time of uncertainty over SEPs and FRAND licensing in the European Union and the United States. In the words of the German agency, “*markets and market players find it important that companies have incentives to invest in the development of standards. It is also important that the markets on which these standards have to be used be kept as open and competitive as possible and that as many market players as possible have access to the standards. In this context of conflicting interests it has to be clarified which criteria a provider of patents that are essential for a standard has to observe in order to ensure the protection of his investments and technologies in legal disputes.*”

Across the Atlantic, the Antitrust Division of the U.S. Department of Justice, the U.S. Patent & Trade Office, and the U.S. National Institute of Standards and Technology (NIST) issued a new joint policy statement in December 2019 in which they address the availability of exclusionary remedies in cases involving SEPs¹. The agencies broke from a past policy statement that had recommended a cautious approach. They now urge courts and regulatory bodies to consider using exclusionary remedies to redress what the agencies identify as the “*harm to innovation and dynamic competition*” caused by infringement of SEPs². Whether that guidance will prompt courts and regulatory agencies like the U.S. International Trade Commission to order exclusionary remedies with greater frequency remains to be seen.

Should the Mannheim court follow the Federal Cartel Office’s recommendation, stay proceedings, and refer the four questions to the CJEU, it might take up to two years before the CJEU issues a preliminary ruling. At least as a matter of EU law, such a ruling would provide much needed guidance on the scope of FRAND commitments as well as the rights and obligations of SEP holders, especially for end product manufacturers and SEP licensors. A CJEU decision might also serve as a guidepost for courts in the United States, which are grappling with similar legal questions.

For years, O’Melveny has advised clients on both sides of SEP licensing transactions. This expertise extends across jurisdictions, from the United States to China, Korea, and the EU, and covers the most complex legal questions involving SEPs. O’Melveny’s practitioners stand ready to assist and advise clients in all industries—including established industries like the automotive sector and emerging industries like the Internet of Things—who encounter FRAND and SEP-licensing issues.

¹ [Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments](#) (Dec. 19, 2019)

² *Id.* at 4.

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