

## 5.2 The IPRCom v Nokia Case

In 2009 IPRCom, a patent “holding”<sup>199</sup> company domiciled in Munich, was preparing a patent infringement proceeding against Nokia before the Mannheim District Court<sup>200</sup>, in which it was claiming 12 billion euro in licensing fees and asking for injunction.<sup>201</sup> The dispute relates to 160 patent families worldwide, which IPRCom acquired from Robert Bosch in 2007, out of which 35 have been declared essential to the GSM standard. The licensing negotiations between IPRCom and Nokia had been going on for a long time without any results. In the proceedings, IPRCom is claiming about 5 percent of Nokia’s revenue in the countries covered by the Bosch patents, which Nokia refused to license to IPRCom *inter alia* relying on FRAND as its defence. According to Judge Voss with the Mannheim District Court, 12 cases between IPRCom and Nokia are currently pending before the Court.<sup>202</sup> On December 2009 the Court put on hold an application by IPRCom for injunction, pending final decision on the validity of the patents by the European Patent Office.

In a dispute between IPRCom and the Taiwanese smart phone maker HTC concerning patents identical to those in dispute in the IPRCom v. Nokia proceedings, the Mannheim District Court has granted an injunction in March 2009 after ruling that HTC had infringed IPRCom’s patents.<sup>203</sup> It is therefore not surprising that IPRCom also initiated its infringement proceedings against Nokia before the Mannheim District Court. As noted by *Meibom* and *Nack*, strategic planning forms an essential part of any patent litigation. The challenge is to find a strategy that enables the patentee to optimize its position and to avoid unpleasant surprises.<sup>204</sup> As affirmed by the injunction granted by the Mannheim District Court

199 Term patent holding company refers to the commonly used term for patent trolls, patent licensing enforcement companies and non-practising entities. The Managing Director of IPRCom, Mr. Bernhard Frohwitter describes IPRCom as an “*intellectual property asset manager*”. IPRCom is part of the Schoeller Group of Pullach, a packing, container and logistic company. 50% is of the company is held by the New York based private equity fund Fortress Investments. IPRCom does not appear to have its own webpage.

200 LG Mannheim, file references 180/08, 181/08, 182/08.

201 Article in *Süddeutsche Zeitung*: “*Warum die Finnen zwölf Milliarden Euro zahlen sollen*”, 31 January 2007, available at: <http://www.sueddeutsche.de/wirtschaft/872/431623/text/>.

202 My phone interview of Judge Andreas Voß, the Mannheim District Court, conducted on phone 8 September 2009.

203 LG Mannheim, 27 February 2009, Case 7 O 94/08, GRUR-RR 2009, 222, (FRAND-Erklärung).

204 *Wolfgang von Meibom and Ralph Nack, “Patents without Injunctions? Trolls, Hold-ups, and Other Patent Warfare, Patents and Technological Process in a Globalized World,”* Springer-Verlag, Berlin Heidelberg 2009, p.500.

in the ICom-HTC case, this particular Court to be very much in favour of the patent owner and to more or less automatically acknowledge the patentee's right to obtain an injunction if infringement has been affirmed.

Nevertheless, Section 719 of the German Civil Procedure<sup>205</sup> provides the possibility for German courts to provisionally suspend the enforcement through injunction against the deposit of a security payment by the defendant. It falls within the discretion of the courts to decide whether or not to grant such type of injunction. Usually the courts will assess the potential losses of the defendant and try to balance the interest of the parties. Interestingly, the Court of Appeals of Karlsruhe used its discretion to suspend the enforcement injunction granted by the Mannheim District Court and to order HTC to post a 7.4 million bond.<sup>206</sup>

Cases such as the ICom case highlights that requests for the enforcement of injunctions based on standard-essential patents might be rejected more easily than otherwise, especially if the plaintiff is a patent holding company, such as ICom. In such cases, it is likely that the court, on the one hand, will put emphasis on the potential losses of defendant and, on the other hand, weigh this against the interest of the licensing company in enforcing the requested injunction under Section 719 of the German Civil Procedure.

In a controversial dispute between *eBay* and *MerxExchange*,<sup>207</sup> also the U.S. Supreme Court has recently acknowledged problems with the use of injunctions in a so-called patent troll scenario. Prior to the U.S. Supreme Court's ruling in the *eBay* case, injunctions preventing the defendant from continuing to sell its allegedly infringed products were automatically granted even if the patent in question covered only a minor feature of a complex product, once infringement had been established. According to the U.S. Supreme Court, this practice gave a strong bargaining power to the patentees and provided them with undue leverage in licensing negotiations. In the *eBay* case, the U.S. Supreme Court concluded that damages might well be sufficient to compensate the infringement and that an injunction might not serve public interests when the product or process in question is complex, valuable and popular to its users. Interestingly for the purposes of this paper, the problems identified by the U. S. Supreme Court are especially common in the standardized technology sector. Hence, as argued by *Shapiro* it is not a coincidence that many companies within the information technology sup-

205 Zivilprozessordnung.

206 See: "Patentstreit: Frohwitters IP.com darf doch nicht vollstrecken".available at: [http://www.juve.de/cgi-bin/voll.pl?ID=13726\\_](http://www.juve.de/cgi-bin/voll.pl?ID=13726_)

207 *EBay Inc. et al. v MerxExchange, L.L.C.*, 126 U.S. 1837, 2006.

port the approach taken by the U. S. Supreme Court in the *eBay* case and see it as a way to prevent the threat of injunction being successfully invoked in patent litigation.<sup>208</sup>

In summary, the German court decisions discussed above further confirm concerns that have been on the agenda within the standardization industry for a long time. As many of the leading scholars in this area argue, patent holders should not be able to use the threat of injunction to push competing companies into paying higher royalties for a license than the underlying technology deserves. *Miller*, for instance, argues in a paper published 2006 that:

“Every participating patent owner has, by making the (F)RAND licensing promise, irrevocably waived its right to seek that most traditional of intellectual property law remedies, a court injunction against unauthorized access. The only relief a frustrated patent owner can seek against an adaptor therefore is the reasonable royalty expressly contemplated.”<sup>209</sup>

The perception is that where an standard-essential patent holder has committed himself to irrevocably provide licenses to third parties and are prepared to offer FRAND terms, in principle, no injunction should be available since the only issue to be resolved in litigation is the amount of royalties to be paid.

However, at present no authoritative precedents comparable to the one set by the U.S. Supreme Court in the *eBay* case that could be invoked to support this view exists at EU level. If the European Commission decides to open formal proceedings under Article 102 TFEU based on Nokia’s complaint against ICom<sup>210</sup>, it can, however, be expected that the Commission will also examine the use of injunctions by dominant undertakings .

It is apparent, that the recent *AstraZeneca*<sup>211</sup> case confirms that vexatious litigation can be abusive, provided that the patentee holds a dominant market position

208 Carl Shapiro, “*Injunctions, Hold-Up, and Patent Royalties*,” Working paper Draft, 17 April 2006, available at <http://faculty.berkeley.edu/shapiro/royalties>.

209 See J Millers, “*Standard Setting, Patents, and Access Lock-in: RAND Licensing and Theory of the Firm*,” Indiana Law Review, 2006.

210 The complaint arise from initial proceedings filed by Nokia against Robert Bosch in December 2006 in Germany seeking a declaration that ICom is obligated to honour its agreement to grant license to Nokia on FRAND terms. See “*Nokia Files Formal Complaint against ICom in Telecom Patents Dispute*,” MLex Intelligence, 7 January 2009.

211 Case COMP/A.37.507.F3, *Generic/AstraZeneca*, 15 June 2005, IP/05/737, on appeal Case T-321/05, pending judgment.

and that the aim of the litigation is to eliminate competition. For the purposes of this paper, it is also interesting to note that the European Commission rejected the attempt by AstraZeneca to argue that the mere possession and enforcement of an intellectual property against a competitor could not be viewed as a violation of Article 102 TFEU. According to the European Commission, AstraZeneca imposed major competitive harm on its rivals mostly by suing them for patent infringement and settling cases on dictated terms and this clearly demonstrated an abuse within the meaning of Article 102 TFEU.<sup>212</sup>

To conclude, it is evident that the case law cited above cannot yet be characterized as settled and that many open questions remains, for example under what circumstance the courts can be expected to find that the use of injunction by dominant patentees amounts to harassment aimed at eliminating effective competition within the standardized product market. Nevertheless, it is clear that the FRAND defence has established itself as a deterrent in German patent litigation and that defendant using standardized technology should not hesitate to raise this as a defence in order to prevent injunction if called for.

As discussed above, the FRAND defence could turn out to be a powerful injunction exception, in particular, with regard to standard-essential patents and therefore patentees ought to carefully weigh in possible antitrust limitations when enforcing their patents, before German courts. However, in order to successfully invoke FRAND as a defence in patent infringement proceeding, one must be well prepared, since if the holder of a standard-essential patent is not considered to hold a dominant position and has not demonstrated anti-competitive behaviour towards its licensees, it can be expected that the courts will endorse patent infringement and grant injunction. Accordingly, as stated by the Bird&Bird attorneys<sup>213</sup> *Wofgang von Meibom* and *Ralph Nack* in a recent article: “*Under European/German law, the fundamental concept of exclusive right is not questioned. Absent additional circumstances, patent infringement is sanctioned by injunction, i.e. there are no patents without injunctions.*”<sup>214</sup>

212 Supra note *Generic/AstraZeneca*, para 521.

213 Bird&Bird is representing Nokia in the ICom patent dispute. During his course (Practical training Patent Law) held in MIPLC 2009, Mr. Meibom gave valuable practical considerations how to approach cases such *ICom v Nokia* under the current antitrust enforcement framework.

214 *Wofgang von Meibom* and *Ralph Nack* “**Patents without Injunctions?- Trolls, Hold-ups, and Other Patent Warfare**”, *Patents and Technological Process in a Globalized World*, (Springer-Verlag Berlin Heidelberg 2009), p.510.