Reports of Cases

OPINION OF ADVOCATE GENERAL
WATHELET
delivered on 20 November 2014[1]

Case C-170/13

Huawei Technologies Co. Ltd
v
ZTE Corp.,
ZTE Deutschland GmbH

(Request for a preliminary ruling from the Landgericht Düsseldorf (Germany))

(Competition — Article 102 TFEU — Abuse of a dominant position — Action for infringement brought by the owner of a patent essential to a standard developed by a standardisation body — Commitment to grant licences to third parties on FRAND (Fair, Reasonable and Non-Discriminatory) terms)

I – **Introduction**

1. This request for a preliminary ruling, lodged by the Landgericht Düsseldorf (Düsseldorf Regional Court, Germany; or 'the referring court') at the Court Registry on 5 April 2013, concerns the interpretation of Article 102 TFEU.

2. The case centres around a patent said to be 'essential to a standard developed by a standardisation body' (a standard-essential patent (SEP)) and, for the first time, the Court is called upon to analyse whether — and, if so, in what circumstances — an action for infringement brought by the SEP-holder against an undertaking which manufactures products in accordance with that standard constitutes an abuse of a dominant position.

3. The request for a preliminary ruling has been made in the course of a dispute between, on the one hand, Huawei Technologies Co. Ltd ('Huawei'), a multinational group of undertakings active in the telecommunications sector, established in Shenzhen (China), and, on the other, ZTE Corp., established in Shenzhen, and ZTE Deutschland GmbH, established in Düsseldorf (Germany), (together, 'ZTE'), members of a group of undertakings, also multinational, operating in the same sector. By its action for infringement, Huawei seeks an injunction prohibiting the continuation of the infringement and an order for the rendering of accounts, the recall of products and the assessment of damages.

1 — Original language: French.

4. The action for infringement concerns a European patent held by Huawei and registered under No EP 2 090 050 B 1 (the 'patent at issue'). The Federal Republic of Germany is one of the contracting Member States designated by that patent, which is 'essential' to the Long Term Evolution (LTE) standard [2] developed by the European Telecommunications Standards Institute ('ETSI'). [3] This means that anyone using the standard inevitably uses the teaching of that patent.

5. The patent at issue was notified to ETSI by Huawei, which, on 4 March 2009, gave ETSI a commitment to grant licences to third parties on fair, reasonable and non-discriminatory terms ('FRAND terms'). [4]

6. After the 'breakdown' [5] of the negotiations for the conclusion of a licensing agreement on FRAND terms, Huawei brought an action for infringement before the referring court against ZTE in order to obtain an injunction prohibiting the continuation of the infringement and an order for the rendering of accounts, the recall of products and the assessment of damages. According to ZTE, that action for a prohibitory injunction constitutes an abuse of a dominant position, since ZTE is willing to negotiate a licence.

7. The conduct of SEP-holders who have given a commitment to grant licences to third parties on FRAND terms has given rise to a plethora of actions before the courts of several Member States and third countries. These various actions, based not only on competition law but also on civil law, have given rise to a number of divergent legal approaches and, consequently, a considerable degree of uncertainty as to the lawfulness of certain forms of conduct on the part of SEP-holders and undertakings which, in implementing a standard developed by a European standardisation body, use the teaching of an SEP.

8. In the light of the questions submitted by the referring court, I shall confine my observations in this Opinion to competition law and, in particular, to the question of abuse of a dominant position.

9. That does not mean, however, that the matters at issue in the dispute before the referring court, which, in my view, stem largely from a lack of clarity as to what is meant by 'FRAND terms' and as to the requisite content of such terms, could not be adequately — if not better — resolved in the context of other branches of law or by mechanisms other than the rules of competition law.

10. It is sufficient in this regard to point out that a commitment to grant licences on FRAND terms is not the same as a licence on FRAND terms; nor does it give any indication of the FRAND terms which must, in principle, be agreed by the parties concerned.

11. If FRAND licensing terms are a matter entirely for the discretion of the parties and, where appropriate, the civil courts or arbitration tribunals, it seems clear to me that the risk of the parties concerned being unwilling to negotiate or of the negotiations breaking down could, at least in part, be avoided or mitigated if standardisation bodies were to establish minimum conditions or a framework of 'rules of good conduct' for the negotiation of FRAND licensing terms. Without these, not only actions

2 — Under Article 2 of Regulation (EU) No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/23/EC and 2009/105/EC of the European Parliament and of the Council and repealing Council Decision 87/95/EEC and Decision No 1673/2006/EC of the European Parliament and of the Council (OJ 2012 L 316, p. 12), 'standard' means 'a technical specification, adopted by a recognised standardisation body, for repeated or continuous application, with which compliance is not compulsory …'. One of the key objectives of standardisation is to ensure the broadest possible application of the standard. However, that scope may conflict with the exclusive rights of intellectual property owners.

3 — ETSI is one of the European standardisation bodies listed in Annex I to Regulation No 1025/2012, and Huawei and ZTE are ETSI members. One of the instruments binding on ETSI members is entitled 'ETSI Intellectual Property Rights Policy', paragraph 14 of which establishes that adherence to the Policy is obligatory for ETSI members, while paragraph 15.6 defines the 'essential' nature of a patent. The ETSI Intellectual Property Rights Policy is set out in Annex 6 to the ETSI Rules of Procedure. See also point 24 of this Opinion.

4 — See paragraph 6.1 of the ETSI Intellectual Property Rights Policy. See also point 23 of this Opinion.

5 — See point 27 of this Opinion.

for a prohibitory injunction but also the rules on abuse of a dominant position, which should be employed only as solutions of last resort, are being used as a negotiating tool or a means of leverage by the SEP-holder or the undertaking which implements the standard and uses the teaching protected by that SEP.

II – **Legal context**

A – *Charter of Fundamental Rights of the European Union*

12. Article 16 of the Charter of Fundamental Rights of the European Union (the 'Charter'), entitled 'Freedom to conduct a business', states:

'The freedom to conduct a business in accordance with Union law and national laws and practices is recognised.'

13. Under Article 17 of the Charter, entitled 'Right to property':

'1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.

2. Intellectual property shall be protected.'

14. Article 47 of the Charter, entitled 'Right to an effective remedy and to a fair trial', states:

'Everyone whose rights and freedoms guaranteed by the law of the Union are violated has the right to an effective remedy before a tribunal in compliance with the conditions laid down in this Article.

…'

15. Article 52(1) of the Charter, entitled 'Scope and interpretation of rights and principles', provides:

'Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.'

B – *Directive 2004/48/EC*

16. Article 9 of Directive 2004/48 of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights,[6] entitled 'Provisional and precautionary measures', provides:

'1. Member States shall ensure that the judicial authorities may, at the request of the applicant:

(a) issue against the alleged infringer an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right, …

6 — OJ 2004 L 157, p. 45.

…’

17. Article 10 of Directive 2004/48, entitled ‘Corrective measures’, provides:

‘1. Without prejudice to any damages due to the rightholder by reason of the infringement, and without compensation of any sort, Member States shall ensure that the competent judicial authorities may order, at the request of the applicant, that appropriate measures be taken with regard to goods that they have found to be infringing an intellectual property right and, in appropriate cases, with regard to materials and implements principally used in the creation or manufacture of those goods. Such measures shall include:

(a) recall from the channels of commerce,

(b) definitive removal from the channels of commerce, or

(c) destruction.

…

3. In considering a request for corrective measures, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account.’

18. Article 11 of that directive, entitled ‘Injunctions’, provides:

‘Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. …’

19. Article 12 of Directive 2004/48, entitled ‘Alternative measures’, provides:

‘Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory.’

20. Article 13 of Directive 2004/48, entitled ‘Damages’, provides:

‘1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.'

C – *The ETSI Intellectual Property Rights Policy*

21. Under paragraph 3.1 of the ETSI Intellectual Property Rights Policy, the objective of that standardisation body is to create standards which meet the technical objectives of the European telecommunications sector and to reduce the risk to ETSI, its members and others applying ETSI standards, that investment in the preparation, adoption and application of standards could be wasted as a result of an essential intellectual property right for those standards being unavailable. In order to do that, the ETSI Intellectual Property Rights Policy seeks to strike a balance between the needs of standardisation for public use in the field of telecommunications and the rights of the owners of intellectual property rights. Paragraph 3.2 of the ETSI Intellectual Property Rights Policy provides that intellectual property right holders should be adequately and fairly rewarded for the use of their intellectual property rights in the implementation of standards.

22. Paragraph 4.1 of the ETSI Intellectual Property Rights Policy provides that each member, in particular during the development of a standard in the establishment of which it participates, must take the necessary measures to inform ETSI of its standard-essential intellectual property rights in a timely fashion. A member submitting a technical proposal for a standard must therefore draw the attention of ETSI to any of its intellectual property rights which might be essential to the standard if that proposal is adopted.

23. Paragraph 6.1 of the ETSI Intellectual Property Rights Policy provides that, when a standard-essential intellectual property right is brought to the attention of ETSI, the Director-General of ETSI must immediately request the owner of that right to give, within three months, an *irrevocable* undertaking that it is prepared to grant licences on FRAND terms in relation to that intellectual property right. Where no FRAND undertaking has been made, ETSI is to assess whether or not to suspend work on the relevant parts of the standard until the matter has been resolved and/or submit for approval any relevant standard.[7] If the owner of the intellectual property rights refuses to submit a FRAND undertaking in accordance with paragraph 6.1 of that Policy, ETSI must seek an alternative technology and, if no such technology exists, work on the standard in question must cease.[8] In accordance with paragraph 14 of the ETSI Intellectual Property Rights Policy, any violation of the Policy by a member is deemed to be a breach by that member of its obligations to ETSI.

24. In accordance with paragraph 15.6 of the ETSI Intellectual Property Rights Policy, intellectual property rights are considered 'essential' where, in particular, it is not possible on technical grounds to make equipment which complies with a standard without infringing the intellectual property right. However, ETSI does not check whether the intellectual property right which has been brought to its attention by one of its members is valid or essential.

7 — See paragraph 6.3 of the ETSI Intellectual Property Rights Policy. The procedure for approving ETSI standards varies according to the type of standard in question and is set out in the ETSI guidelines. In this regard, I would point out that ETSI develops, in particular, European Standards (EN), ETSI Standards (ES) and ETSI Technical Specifications (TS), the approval procedures for which vary considerably.

8 — See paragraph 8 of the ETSI Intellectual Property Rights Policy.

25. The ETSI Intellectual Property Rights Policy does not precisely define what is meant by FRAND licensing terms. It is for the patent owner and the patent user to negotiate the terms and conditions of use of an SEP.[9] Nor does the ETSI Intellectual Property Rights Policy lay down any rules or provisions as to how to resolve disputes in the event that the parties do not reach an agreement on specific FRAND terms.[10]

III – **The main proceedings and the questions referred for a preliminary ruling**

26. Among the products developed and marketed by ZTE in Germany are base stations with LTE software ('the disputed embodiments'). According to the referring court, the disputed embodiments developed and marketed by ZTE are unquestionably made for use with LTE software and operate on the basis of the LTE standard. Given that the patent at issue, owned by Huawei, is essential to the LTE standard, ZTE inevitably uses that patent.

27. It emerges from the order for reference that, between November 2010 and the end of March 2011, Huawei and ZTE engaged in discussions relating, inter alia, to the infringement of the patent and the possibility of concluding a licensing agreement. Huawei 'named the amount which it considered to be a reasonable royalty'. ZTE 'sought a cross-licensing agreement'. It also emerges from the order for reference that, on 30 January 2013, ZTE made an offer for a cross-licensing agreement and proposed, but did not pay, a royalty due to Huawei (in the amount of EUR 50). Furthermore, the referring court states that '[t]he parties did not exchange any specific offers in relation to a licensing agreement'. On 28 April 2011, Huawei brought before the referring court the action which has given rise to these preliminary ruling proceedings.

28. ZTE filed an opposition before the European Patent Office (EPO) against the grant of the patent at issue on the ground that the patent was not valid. By decision of 25 January 2013, the EPO confirmed the validity of the patent and rejected ZTE's opposition. An appeal against that decision is currently pending.

29. The referring court states that ZTE's use of the patent at issue is unlawful. However, it considers that the action for a prohibitory injunction could be dismissed on grounds of the compulsory nature of the licence — on the basis of Article 102 TFEU, in particular — if it could be found that, by pursuing its action for a prohibitory injunction, Huawei is abusing '*the dominant position which it unquestionably holds*'.[11]

30. According to the referring court, there are two approaches to determining the point from which the SEP-holder infringes Article 102 TFEU by abusing its dominant position in relation to the infringer.

9 — According to paragraph 4.1 of the ETSI Guide on Intellectual Property Rights of 19 September 2013 ('the Guide'), the specific licensing terms and the negotiations relating to them are matters of business between the undertakings. It follows that it is not ETSI's role to regulate them. Unlike the ETSI Intellectual Property Rights Policy, which is binding on ETSI members, the Guide is purely explanatory.

10 — According to paragraph 4.3 of the Guide, ETSI members must attempt to resolve any dispute relating to the application of the IPR policy on a bilateral and amicable basis. According to paragraph 4.4 of the Guide, ETSI members must engage in an impartial and honest negotiation process for the purpose of concluding agreements on the licensing of their intellectual property rights on FRAND terms.

11 — In German, 'unstreitig gegebenen marktbeherrschenden Stellung'.

31. First, the referring court points out that the Bundesgerichtshof (Federal Court of Justice, Germany) found in its judgment of 6 May 2009 in *Orange-Book-Standard* (KZR 39/06, '*Orange-Book-Standard*') [12] that, where the owner of a patent seeks a prohibitory injunction against a defendant who has a claim to a licence for that patent, the patent owner abuses his dominant position only where the following conditions are met:

'First, the defendant must have made the applicant an unconditional offer to conclude a licensing agreement (an offer which, specifically, must not contain a clause limiting the licence exclusively to the cases of infringement), it being understood that the defendant must consider itself bound by that offer and that the applicant is obliged to accept it, since its refusal of the offer would unfairly hamper the defendant or breach the principle of non-discrimination.

If the defendant considers the amount of royalty claimed by the applicant to be excessive, or if the applicant refuses to quantify the royalty, the offer of an agreement is regarded as unconditional if it provides that the applicant is to determine the amount of the royalty fairly.

Secondly, if the defendant is already making use of the subject-matter of the patent before the applicant accepts its offer, it must meet the obligations which, for use of the patent, will be incumbent on it under the future licensing agreement. That means, in particular, that the defendant must render an account for its acts of use in accordance with the terms of a non-discriminatory agreement and that it must meet the resulting payment obligations.

As regards the fulfilment of that payment obligation, the defendant is not required to pay the royalty directly to the applicant. The defendant is at liberty to deposit a security for payment of the royalty at an Amtsgericht [local court].'

32. Secondly, the referring court points out that, in a press release [13] regarding a Statement of Objections sent to Samsung Electronics and Others (COMP/C-3/39.939) in the course of an infringement procedure relating to the mobile telephony market, the European Commission made a preliminary assessment to the effect that the bringing of an action for a prohibitory injunction was unlawful in the light of Article 102 TFEU, given that the case concerned an SEP, that the patent holder had indicated to a standardisation body that it was prepared to grant licences on FRAND terms and that the infringer was itself willing to negotiate such a licence.

33. However, as the referring court points out, the Commission does not explain, in its press release, in what circumstances an infringer may be regarded as being willing to negotiate. Nor does it echo the criteria set out by the Bundesgerichtshof in its judgment in *Orange-Book-Standard*.

12 — The reasoning adopted by the Bundesgerichtshof is based on Article 82 EC (now Article 102 TFEU), Paragraph 20(1) of the German Law against restrictions on competition (Gesetz gegen Wettbewerbsbeschränkungen; 'GWB') and Paragraph 242 of the German Civil Code, as published on 2 January 2002 (BGBl. I, p. 42, 2909; 2003 I, p. 738) and amended by Paragraph 4 of the Law of 26 June 2013 (BGBl. I, p. 1805). Under the last-mentioned provision, entitled 'Performance in good faith', '[a]n obligor has a duty to perform the obligation in accordance with the requirements of good faith, with due regard for customary practice'.

13 — See European Commission press release IP/12/1448 of 21 December 2012 and Commission Memorandum 12/1021 of the same date (the 'press release'). By decision of 29 April 2014, the Commission adopted a decision on the basis of Article 9 of Council Regulation (EC) 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles [101 TFEU] and [102 TFEU] (OJ 2003 L 1, p. 1) in relation to Samsung Electronics and Others following the commitments given by them. Under Article 9(1) of that regulation, entitled 'Commitments', '[w]here the Commission intends to adopt a decision requiring that an infringement be brought to an end and the undertakings concerned offer commitments to meet the concerns expressed to them by the Commission in its preliminary assessment, the Commission may by decision make those commitments binding on the undertakings. …'. By decision of 29 April 2014, the Commission adopted a decision pursuant to Article 7 of Regulation No 1/2003, directed against Motorola Mobility LLC ('Motorola'), finding, in particular, that Motorola had infringed Article 102 TFEU by bringing an action for a prohibitory injunction against Apple Inc. and Others before a German court on the basis of an SEP which Motorola had pledged to license on FRAND terms (Case AT.39985).

34. According to the referring court, if the criteria established by the Bundesgerichtshof were applied in the present case, ZTE could not legitimately rely on the compulsory nature of the licence, with the result that the action for infringement would have to be upheld. The referring court takes the view that, on that assumption, Huawei was not obliged to accept one of the offers made in writing by ZTE with a view to the conclusion of a licensing agreement. The referring court gives two reasons for that view.

35. First, ZTE's offers to conclude an agreement should be regarded as inadequate on account of the fact that they were not 'unconditional' offers within the meaning of the case-law of the Bundesgerichtshof, since they were limited exclusively to the products giving rise to the infringement.

36. Secondly, regardless of whether or not the amount of the royalty was correctly determined, ZTE did not pay the royalty which it had itself calculated (EUR 50), there being nothing to indicate that the Amtsgericht had ordered the collection of that sum for deposit as a security. Furthermore, the referring court points out that ZTE did not duly or exhaustively render an account for past acts of use.

37. On the other hand, the referring court considers that, if the approach argued for by the Commission in its press release were taken, the action for a prohibitory injunction brought by Huawei would have to be dismissed as an abuse. Since Huawei bases its action on an SEP, ZTE is obliged to use that SEP in order to be able to place on the market the disputed LTE-compliant embodiments. The referring court observes that Huawei declared to ETSI that it was willing to license its patent to third parties and points out that ZTE was — at least at the relevant time (the end of the oral negotiations) — 'willing to negotiate' within the meaning of the Commission's position. That willingness to negotiate is apparent, in any event, from ZTE's written offers to conclude an agreement (which incorporate, in part, Huawei's proposals). The referring court considers that, in the context of the Commission's argument, willingness to negotiate is not affected by the fact that the parties cannot agree on the content of certain clauses in the agreement or, in particular, on the amount of the royalty payable.

38. In those circumstances, the Landgericht Düsseldorf decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

'(1) Does the proprietor of a standard-essential patent which informs a standardisation body that it is willing to grant any third party a licence on [FRAND] terms abuse its dominant market position if it brings an action for an injunction against a patent infringer even though the infringer has declared that it is willing to negotiate concerning such a licence?

or

is an abuse of the dominant market position to be presumed only where the infringer has submitted to the proprietor of a standard-essential patent an acceptable, unconditional offer to conclude a licensing agreement which the patentee cannot refuse without unfairly impeding the infringer or breaching the prohibition of discrimination, and the infringer fulfils its contractual obligations for acts of use already performed in anticipation of the licence to be granted?

(2) If abuse of a dominant market position is already to be presumed as a consequence of the infringer's willingness to negotiate:

Does Article 102 TFEU lay down particular qualitative and/or time requirements in relation to the willingness to negotiate? In particular, can willingness to negotiate be presumed where the patent infringer has merely stated (orally) in a general way that it is prepared to enter into negotiations, or must the infringer already have entered into negotiations by, for example, submitting specific conditions upon which it is prepared to conclude a licensing agreement?

(3) If the submission of an acceptable, unconditional offer to conclude a licensing agreement is a prerequisite for abuse of a dominant market position:

Does Article 102 TFEU lay down particular qualitative and/or time requirements in relation to that offer? Must the offer contain all the provisions which are normally included in licensing agreements in the field of technology in question? In particular, may the offer be made subject to the condition that the standard-essential patent is actually used and/or is shown to be valid?

(4) If the fulfilment of the infringer's obligations arising from the licence that is to be granted is a prerequisite for the abuse of a dominant market position:

Does Article 102 TFEU lay down particular requirements with regard to those acts of fulfilment? Is the infringer particularly required to render an account for past acts of use and/or to pay royalties? May an obligation to pay royalties be discharged, if necessary, by depositing a security?

(5) Do the conditions under which the abuse of a dominant position by the proprietor of a standard-essential patent is to be presumed apply also to an action on the ground of other claims (for rendering of accounts, recall of products, damages) arising from a patent infringement?'

IV – **The procedure before the Court**

39. Written observations have been lodged by Huawei, ZTE, the Netherlands and Portuguese Governments, and by the Commission. Huawei, ZTE, the Netherlands and Finnish Governments and the Commission presented oral argument at the hearing on 11 September 2014.

V – **Analysis**

A – *Preliminary observations*

40. The Court is called upon to determine whether — and, if so, in what circumstances — an action for infringement brought by an SEP-holder which has given a commitment to grant licences on FRAND terms constitutes an abuse of a dominant position. The questions raised by the referring court do not concern the specific terms of a FRAND licence, which lie in the discretion of the parties and, where appropriate, the civil courts and arbitration tribunals, but seek rather to determine, in the light of competition law, the framework within which the licensing of an SEP on FRAND terms is to be negotiated.

41. According to the referring court, SEP-holders are in a powerful position when negotiating licences because of their right to bring an action for a prohibitory injunction. Consequently, it should be ensured that SEP-holders cannot, for example, impose excessive royalties in breach of their commitment to grant licences on FRAND terms, thereby engaging in conduct which has become known as 'patent hold-up'. [14]

42. However, the referring court also points out that placing a restriction on the right to bring an action for a prohibitory injunction considerably reduces the SEP-holder's margin for negotiation, given that it may lack sufficient leverage to conduct those negotiations on an equal footing with the infringer. The referring court adds that the SEP-holder must tolerate the unlawful use of its patent, regardless of

14 — According to the Commission, 'hold-up is exacerbated where a large number of SEPs, covering various standards, are applied to a single product. In such circumstances, the number of potential licensors may cause the combined royalty payments made to the various SEP-holders to become excessive. This phenomenon is known as "royalty stacking"'.

whether and when a licensing agreement will actually be concluded, and that it will not be able to recover damages, the applicability and amount of which are uncertain, until some unforeseeable date after the event. This will be the case even if the licensing negotiations are drawn out for reasons attributable solely to the infringer. Such conduct has been termed 'patent hold-out' or 'reverse patent hold-up'.

43. By Question 1, the referring court asks whether an SEP-holder which has given a commitment to a standardisation body — in this case, ETSI — to grant licences to third parties on FRAND terms abuses its dominant position if it brings an action for a prohibitory injunction against an infringer even though the infringer was 'willing to negotiate' such a licence.

44. In Question 1, the referring court also envisages a second scenario, in which there would be abuse of a dominant position only if the infringer had submitted to the SEP-holder an acceptable, unconditional offer which the holder could not refuse without unfairly impeding the infringer or breaching the principle of non-discrimination, and if the infringer had already fulfilled its contractual obligations for acts of use already performed in anticipation of the licence to be granted.

45. In my view, in order to give a useful and complete response to Question 1, the two scenarios described should be examined together.

46. Questions 2, 3 and 4 concern, respectively, the form to be taken by the infringer's willingness to negotiate and the form of its offer and of the fulfilment of the obligations incumbent on it under the licence to be granted. The reply to those questions depends largely on the answer to Question 1. Question 5 concerns the actions other than an action for a prohibitory injunction which are available to the SEP-holder for the purpose of protecting its intellectual property rights. Given that the questions raised by the referring court are principally concerned with the lawfulness of the action for a prohibitory injunction, I shall focus my observations in this Opinion on that action.

B – *The case-law established by the Bundesgerichtshof in Orange-Book-Standard and the Commission's press release in Samsung Electronics and Others*

47. It is clear that the referring court's questions have been largely inspired by the *Orange-Book-Standard* judgment of the Bundesgerichtshof and the Commission's press release in the Samsung Electronics and Others case.

48. As regards *Orange-Book-Standard*, the significant factual differences between that case and the dispute before the referring court should be noted. The patent at issue here is essential to the LTE standard which was developed as a result of an agreement concluded between the undertakings (including Huawei and ZTE) involved in the standardisation process within ETSI, whereas the standard at issue in the *Orange-Book-Standard* case before the Bundesgerichtshof was a de facto standard.[15] It follows that, in *Orange-Book-Standard*, the owner of the patent at issue had not given any commitment to grant licences on FRAND terms. It is only natural that, in those circumstances, the patent owner will have greater negotiating power than in the case of an SEP the owner of which is, like the licence applicant, a member of a European standardisation body, and that an action for a prohibitory injunction on its part will ultimately be regarded as abusive only if the royalty it demands is clearly excessive.

15 — A de facto standard is a specification recognised in the market place, typically through the widespread acceptance of that specification. See, to that effect, Section 1.2 of the Opinion of the Economic and Social Committee on the Communication from the Commission to the Council and the European Parliament on 'Standardisation and the global information society: the European approach' (COM(1996) 359 final).

49. In view of that significant factual difference between that case and the dispute before the referring court, I am of the opinion that *Orange-Book-Standard* cannot be transposed by analogy to the present case.

50. On the other hand, although the press release in the Samsung Electronics and Others case does concern an SEP the owner of which has given a commitment to a standardisation body to grant licences on FRAND terms, it seems to me that a mere willingness on the part of the infringer to negotiate [16] in a highly vague and non-binding fashion cannot, in any circumstances, be sufficient [17] to limit the SEP-holder's right to bring an action [18] for a prohibitory injunction.

51. To my mind, a pure and simple application to the present case of the case-law established by the Bundesgerichtshof in *Orange-Book-Standard* or the press release would result in the over-protection or under-protection of the SEP-holder, of those using the teaching protected by the patents or of consumers, respectively. [19]

52. It appears necessary, therefore, to find a middle path.

C – *The presumption of the existence of a dominant position*

53. It should be noted that — as the Commission pointed out — the referring court proceeds on the assumption that Huawei holds a dominant position [20] and has not asked the Court either about the criteria for determining the relevant market [21] or about the finding of a dominant position. [22]

16 — Either orally or in writing.

17 — The press release, which is only a few pages long, has no legal value. It is not binding on the Commission and does not prejudge the outcome of the proceedings to which it refers. Its only objective is to inform the public that proceedings have been opened against Samsung Electronics and Others under Regulation No 1/2003. Moreover, it is clear — in particular from the Commission's own observations in that case, which are much more detailed — that the Commission itself is of the opinion that far more stringent requirements should be imposed on the infringer.

18 — As the referring court has pointed out, '[s]uch a declaration may be made very easily and in such a way as to impose little obligation, since it may be changed, withdrawn and, if necessary, renewed at any time. Furthermore, such a declaration does not include any specific terms, even though the licensing terms must be known in order for it to be possible to determine whether they are fair, reasonable and non-discriminatory. Even where a declaration does include specific terms, it is open to question whether those terms are serious. After all, the infringer may change or withdraw those terms at any time, or propose terms which are manifestly unreasonable'.

19 — As ZTE has pointed out in its observations, placing reliance only on the alleged infringer's mere 'willingness to negotiate' would result in pricing which falls well below the true economic value of the SEP. Conversely, placing reliance on the case-law established by the Bundesgerichtshof in *Orange-Book-Standard* would create the opposite problem, in that the licence royalties imposed would be very high (though not so high as to constitute a refusal to conclude a contract, in breach of Article 102 TFEU).

20 — In the order for reference, the referring court states that Huawei 'unquestionably' holds a dominant position, without any further explanation or clarification of that finding.

21 — It is settled case-law that the definition of the relevant market is of vital significance for the appraisal of dominant position. See *Europemballage and Continental Can* v *Commission* (6/72, EU:C:1973:22, paragraph 32).

22 — See *United Brands and United Brands Continentaal* v *Commission* (27/76, EU:C:1978:22, paragraphs 65 and 66); *Hoffmann-La Roche* v *Commission* (85/76, EU:C:1979:36, paragraphs 38 and 39); and, more recently, *AstraZeneca* v *Commission* (C-457/10 P, EU:C:2012:770, paragraph 175), which define a dominant position as 'a position of economic strength held by an undertaking which enables it to prevent effective competition from being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, its customers and, ultimately, consumers'.

54. The Portuguese Government and the Commission have confined their observations to the possible abuse of a dominant position on the part of the SEP-holder, while Huawei,[23] ZTE[24] and the Netherlands Government have addressed only superficially in their observations the question of the existence of a dominant position.

55. According to settled case-law, the Court has jurisdiction only to give rulings on the interpretation or the validity of a provision of EU law on the basis of the facts put before it by the national court. In addition, to alter the substance of the questions referred for a preliminary ruling would be incompatible with the Court's role under Article 267 TFEU and with its duty, under Article 23 of the Statute of the Court of Justice of the European Union, to ensure that the governments of the Member States and the parties concerned are given the opportunity to submit observations, given that, under that provision, only the order for reference is notified to the interested parties.[25]

56. In the present case, since the referring court has accepted neither the need for a question concerning the existence of a dominant position, nor the relevance of such a question, the Court cannot address that point.

57. However, it should be noted that the referring court did not state in the order for reference that it had arrived at its finding that the SEP-holder in the present case unquestionably holds a dominant position after it had examined all the circumstances and the specific context of the case. I share the view expressed by the Netherlands Government that the fact that an undertaking owns an SEP does not necessarily mean that it holds a dominant position within the meaning of Article 102 TFEU,[26] and that it is for the national court to determine, on a case-by-case basis, whether that is indeed the situation.[27]

58. Given that a finding that an undertaking has a dominant position imposes on the undertaking concerned a special responsibility[28] not to allow its conduct to impair genuine competition, that finding cannot be based on hypotheses. If the fact that anyone who uses a standard set by a standardisation body must necessarily make use of the teaching of an SEP, thus requiring a licence from the owner of that patent, could give rise to a rebuttable presumption that the owner of that patent holds a dominant position, it must, in my view, be possible to rebut that presumption with specific, detailed evidence.

23 — According to Huawei, SEPs give their holders the key to access the technology forming the basis of the standard, the use of those patents being, by definition, unavoidable. Huawei takes the view that SEP-holders are thus able, in principle, to control access to use of the standard. Huawei points out, however, that this does not necessarily create a dominant position, in particular where the relevant market includes products which do not use a standard or which use competing standards. According to Huawei, users of the standard which themselves hold SEPs may derive a degree of countervailing power from those patents. It considers that, in certain circumstances, this may offset the SEP-holder's position on the market to such an extent as to divest it of its dominance.

24 — According to ZTE, the scope of protection enjoyed by an SEP covers a configuration of products the use of which is required by the standard, so that any product compliant with the standard necessarily infringes the patent. ZTE claims that, since there is no demand for products which do not comply with the standard, the SEP confers on its holder the legal power to decide which operators enter and remain on the market. Moreover, according to ZTE, an SEP gives its owner a dominant position on markets in downstream services. ZTE is also of the opinion that, in so far as a specific technology or licensing market is determined for each SEP, the owner of a (first) SEP holds a monopoly and, therefore, a dominant position on the market. According to ZTE, 'dominant market positions can be observed even in global markets covering all SEPs'.

25 — See *Hochtief and Linde-Kca-Dresden* (C-138/08, EU:C:2009:627, paragraph 22 and case-law cited).

26 — In paragraph 186 of the judgment in *AstraZeneca* v *Commission*, EU:C:2012:770, the Court held that, 'although the mere possession of intellectual property rights cannot be considered to confer such a position, their possession is none the less capable, in certain circumstances, of creating a dominant position, in particular by enabling an undertaking to prevent effective competition on the market'.

27 — The Commission states in its 'Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements' (OJ 2011 C 11, p. 1, paragraph 269) that, 'even if the establishment of a standard can create or increase the market power of [intellectual property rights] holders possessing IPR essential to the standard, there is no presumption that holding or exercising [intellectual property rights] essential to a standard equates to the possession or exercise of market power. The question of market power can only be assessed on a case by case basis'.

28 — I would point out that the holding of a dominant position is not in itself prohibited by Article 102 TFEU. See *Nederlandsche Banden-Industrie-Michelin* v *Commission* (322/81, EU:C:1983:313, paragraph 57) and *Post Danmark* (C-209/10, EU:C:2012:172, paragraphs 21 to 23).

D – *Abuse of a dominant position or abuse of technological dependence*

59. It should be pointed out that, in order to answer the questions raised by the referring court, it is necessary, in the light of competition law, to strike a balance between the right to intellectual property and the SEP-holder's (Huawei's) right of access to the courts, on the one hand, and the freedom to conduct business which economic operators such as the undertakings implementing the LTE standard (ZTE) enjoy under Article 16 of the Charter, on the other hand. After all, the grant of an injunction sought by an action to cease and desist places a significant restriction on that freedom [29] and is therefore capable of distorting competition. [30]

1. The right to intellectual property

60. It can be seen from the documents placed before the Court that, despite its commitment to ETSI that it would grant licences to third parties on FRAND terms, Huawei did not waive its right to bring actions for prohibitory injunctions against persons using the teaching protected by the patent at issue without its consent. However, it is readily apparent from that commitment that Huawei is willing [31] to exploit the patent at issue not only by using the patent exclusively but also by licensing it to others. Moreover, Huawei accepts that a royalty fixed on FRAND terms constitutes adequate and fair compensation for the use of that patent by others.

61. Concurring with the observations of Huawei, ZTE, the Netherlands and Portuguese Governments and the Commission, I take the view that, in accordance with settled case-law, the exercise of an exclusive right linked to an intellectual property right — that is to say, in the present case, the right to bring an action for a prohibitory injunction in the event of infringement — cannot in itself constitute an abuse of a dominant position. [32] After all, for a patent holder, that right represents the essential means [33] of asserting his intellectual property, the protection of which is specifically recognised by Article 17(2) of the Charter. [34]

62. It follows that any restriction of the right to bring those actions necessarily constitutes a significant limitation of intellectual property rights and can therefore be permitted only in exceptional and clearly defined circumstances.

63. However, the right to intellectual property is not an absolute right. Accordingly, without making any reference to abuse of rights, recital 12 in the preamble to Directive 2004/48 states that '[t]his Directive should not affect the application of the rules of competition, and in particular Articles [101 TFEU] and [102 TFEU]. The measures provided for in this Directive should not be used to restrict

29 — See, by analogy, *UPC Telekabel Wien* (C-314/12, EU:C:2014:192, paragraphs 47 and 48). Pursuant to Article 11 of Directive 2004/48, Member States are required to ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, their judicial authorities may issue an injunction to prohibit the continuation of the infringement. See, in addition, Article 9 of that directive, concerning provisional and precautionary measures. The manufacture and sale of standard-compliant products and services which infringe the exclusive rights of the SEP-holder will be prohibited following the issue of an injunction. Actions for a prohibitory injunction therefore constitute a very powerful remedy, since the grant of an injunction for the infringement of an SEP has the effect of excluding the patent infringer's products and services from the markets covered by the standard. I would also point out that even the threat of an action for a prohibitory injunction can alter the course of licensing negotiations and lead to licensing terms which are not 'FRAND'. In my opinion, those considerations apply *mutatis mutandis* to the corrective measures provided for in Article 10 of Directive 2004/48.

30 — The internal market, as defined in Article 3 TEU, constitutes one of the principal objectives of the European Union and incorporates a system ensuring that competition is not distorted. See Protocol (No 27) on the internal market and competition, annexed to the EU and FEU Treaties.

31 — As pointed out by the Commission in its observations.

32 — See, by analogy, *Volvo* (238/87, EU:C:1988:477, paragraph 8), *RTE and ITP* v *Commission* (C-241/91 P and C-242/91 P, EU:C:1995:98, paragraph 33) and *IMS Health* (C-418/01, EU:C:2004:257, paragraph 34).

33 — According to settled case-law, the essential objective of a patent is to ensure, in order to reward the creative effort of the inventor, that the owner of the patent has the exclusive right to use an invention with a view to manufacturing industrial products and selling them, either directly, or by granting licences to third parties, as well as *the right to oppose infringements* (see *Centrafarm and de Peijper* (15/74, EU:C:1974:114, paragraph 9), and *Football Association Premier League and Others* (C-403/08 and C-429/08, EU:C:2011:631, paragraph 107).

34 — That possibility also constitutes a measure of general prevention because it deters infringements.

competition unduly in a manner contrary to the Treaty'. It follows that the right to bring actions for a prohibitory injunction for the purpose of protecting intellectual property is not an absolute and inviolable right and must be reconciled, in the general interest, with the rules on competition laid down, in particular, in Articles 101 TFEU and 102 TFEU.[35] Article 12 of Directive 2004/48 provides, for example, that, at the request of the person liable to be subject to an injunction and under certain circumstances, the competent judicial authorities may order pecuniary compensation to be paid to the intellectual property right holder instead of granting the injunction. Restrictions on the right to bring actions for a prohibitory injunction and the substitution of pecuniary compensation for that right are thus clearly envisaged by that directive.[36]

64. Moreover, intellectual property right holders can themselves limit the manner in which they will exercise those rights.

65. In this regard, I believe that the commitment given by Huawei in the dispute before the referring court to grant licences to third parties on FRAND terms bears some similarity to a 'licence of right'.[37] Whereas the grant of compulsory licences is required by law,[38] a patent owner can on his own initiative authorise third parties to use the teaching of his patent under certain conditions. I would point out that, where a patent licensee has a licence of right, an injunction may not, in principle, be issued against him.[39]

2. Right of access to the courts

66. The right of access to the courts and the possibility of asserting rights before a court are recognised by Article 47 of the Charter. In paragraph 51 of the judgment in *ZZ* (C-300/11, EU:C:2013:363), however, the Court held that Article 52(1) of the Charter permits limitations on the exercise of the rights enshrined in Article 47, but points out that, in view of the importance of the fundamental right guaranteed by Article 47, it should be taken into account that Article 52(1) of the

35 — See, by analogy, point 105 of the Opinion of the Advocate General Cosmas in *Masterfoods and HB* (C-344/98, EU:C:2000:249), in which the Advocate General states that '[t]here is no doubt that Articles [101 TFEU] and [102 TFEU] occupy an important position in the system of the Community legal order and serve the general interest which consists in ensuring undistorted competition. Consequently, it is perfectly comprehensible for restrictions to be placed on the right to property ownership pursuant to Articles [101 TFEU and 102 TFEU], to the degree to which they might be necessary to protect competition'.

36 — See also Article 3(2) of Directive 2004/48, which provides that '[t]hose measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse'. The concept of abuse is not defined in Directive 2004/48. I take the view, however, that that concept necessarily, though not exclusively, encompasses infringements of Articles 101 TFEU and 102 TFEU. See also Article 8(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), under which: '[a]ppropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology'.

37 — See, by analogy, Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection (OJ 2012 L 361, p. 1), Article 8 of which, entitled 'Licences of right', provides as follows:

'1. The proprietor of a European patent with unitary effect may file a statement with the EPO to the effect that the proprietor is prepared to allow any person to use the invention as a licensee in return for appropriate consideration.
2. A licence obtained under this Regulation shall be treated as a contractual licence.'

See also Paragraph 23 of the German Law on Patents (Patentgesetz) and Section 46 of the UK Patents Act 1977.

38 — See, for example, Paragraph 24 of the German Law on Patents.

39 — See, to that effect, *Allen & Hanburys* (434/85, EU:C:1988:109, paragraph 4), which explains the scope of Section 46 of the UK Patents Act 1977.

Charter provides that any limitation [40] must in particular respect the essence of the fundamental right in question and requires, in addition, that, subject to the principle of proportionality, the limitation must be necessary and must genuinely meet objectives of general interest recognised by the European Union. [41]

67. Despite the fact that the Charter does not create a hierarchy among the fundamental rights which it recognises, with the exception of human dignity, which is inviolable [42] and subject to no exception, the bringing an action for a prohibitory injunction can constitute an abuse of a dominant position only in exceptional circumstances, given the importance of the right of access to the courts.

3. Freedom to conduct business and undistorted competition

68. It is settled case-law that the concept of abuse of a dominant position is an objective concept and refers to the conduct of a dominant undertaking which is such as to influence the structure of a market where the degree of competition is already weakened precisely because of the presence of the undertaking concerned, and which, through recourse to methods different from those governing normal competition in products or services on the basis of the transactions of commercial operators, has the effect of hindering the maintenance of the degree of competition still existing in the market or the growth of that competition. [43]

69. Huawei, ZTE, the Netherlands and Portuguese Governments and the Commission argue that, in accordance with settled case-law, a finding of abuse of a dominant position following the bringing of an action for a prohibitory injunction requires the existence of 'exceptional circumstances'. [44] I would point out that '[i]t is clear from that case-law that, in order for the refusal by an undertaking which owns a copyright to give access to a product or service indispensable for carrying on a particular business to be treated as abusive, it is sufficient that three cumulative conditions be satisfied, namely, that that refusal is preventing the emergence of a new product for which there is a potential consumer demand, that it is unjustified and such as to exclude any competition on a secondary market'. [45]

70. It is true, as Huawei has pointed out, that that case-law is based on facts which are not directly comparable with those of the dispute before the referring court. It is clear that, as in the cases which gave rise to that case-law, having a licence to use the patent at issue is indispensable to the production of LTE standard-compliant products and services. However, unlike in those cases, which concern refusals to grant licences for the use of intellectual property rights, Huawei informed [46] ETSI of the patent at issue and voluntarily gave a commitment to license that patent to third parties on FRAND terms, thereby engaging in conduct which cannot, at first sight, be treated as a refusal akin to those envisaged in the case-law cited in footnote 44 of this Opinion. Consequently, that case-law is only partially applicable to the dispute before the referring court, in which everything will hinge on the manner in which Huawei fulfilled its commitment to ETSI to license the patent at issue on FRAND terms.

40 — I would also point out that the procedural rules of each Member State impose a framework on the right of access to the courts. Ready examples include the rules on time-limits for bringing actions (time-barring rules), the rules on capacity to bring legal proceedings (*locus standi*) and the rules on vexatious litigants.

41 — Article 52(1) of the Charter also applies to intellectual property rights, the protection of which is recognised by Article 17(2) of that Charter. See, by analogy, *Hauer* (44/79, EU:C:1979:290, paragraphs 17 to 30).

42 — See Article 1 of the Charter.

43 — *AstraZeneca* v *Commission* (EU:C:2012:770, paragraph 74 and case-law cited).

44 — *RTE and ITP* v *Commission* (EU:C:1995:98, paragraphs 50, and 53 to 56) (refusal to grant a copyright licence) and *IMS Health* (EU:C:2004:257, paragraphs 35 and 36) (refusal to grant a licence for the use of a brick structure protected by an intellectual property right). See also *Bronner* (C-7/97, EU:C:1998:569, paragraphs 39 and 40) (refusal of a media undertaking to include a rival daily newspaper in its newspaper home-delivery scheme).

45 — *IMS Health* (EU:C:2004:257, paragraph 38).

46 — See paragraph 4.1 of the ETSI Intellectual Property Rights Policy.

71. In this regard, I would point out that Huawei's notification of that patent to ETSI and its commitment to license it had an impact on the standardisation procedure and the content of the LTE standard itself.[47] The fact that the teaching protected by the patent at issue has been incorporated into the LTE standard and the fact that a licence to use that patent is therefore indispensable create a relationship of dependence between the SEP-holder and the undertakings which produce products and services in accordance with that standard. That technological dependence leads to economic dependence.

72. In paragraph 9 of its judgment in *Volvo* (EU:C:1988:477), the Court held that 'the exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by Article [102 TFEU] if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States'.

73. I am of the opinion that the guidance given by the Court in that judgment concerning lines of conduct capable of constituting abuse of a dominant position attaches importance, on the one hand, to a relationship of dependence between the intellectual property right holder occupying a dominant position and other undertakings and, on the other, to the abusive exploitation of that position by the right holder through recourse to methods different from those governing normal competition.[48]

74. In those circumstances, which are characterised, on the one hand, by the infringer's technological dependence following the incorporation into a standard of the teaching protected by the patent and, on the other hand, by unfair or unreasonable conduct by the SEP-holder,[49] at variance with its commitment to grant licences on FRAND terms, towards an infringer which has shown itself to be objectively ready, willing and able to conclude such a licensing agreement, the bringing of an action for a prohibitory injunction constitutes recourse to a method different from those governing normal competition; it has an adverse effect on competition[50] to the detriment, in particular, of consumers and the undertakings which have invested in the preparation, adoption and application of the standard;[51] and it must be regarded as an abuse of a dominant position for the purposes of Article 102 TFEU.

75. It is clear that such a finding of abuse of a dominant position in the context of standardisation and the commitment to license an SEP on FRAND terms can be made only after the conduct not only of the SEP-holder but also of the infringer has been examined.

47 — See, in particular, paragraphs 3, 4, 6 and 8 of the ETSI Intellectual Property Rights Policy.

48 — See also *United Brands and United Brands Continentaal* v *Commission*, EU:C:1978:22, paragraphs 182 and 183.

49 — It is important to point out that the conduct of the SEP-holder cannot be regarded as unfair or unreasonable if it is objectively justified. In this regard, I would point out that, if an SEP-holder who has given a commitment to grant licences on FRAND terms does not receive a fair royalty, its capacity to make a return on its investments and its incentive to invest in other technologies will be diminished, as will its willingness to license an SEP on FRAND terms or to participate in the standardisation process.

50 — That conduct is likely to reduce investment in technologies linked to the LTE standard and the availability of LTE standard-compliant products and services. After all, if SEPs could not be licensed on FRAND terms, undertakings would be reluctant to implement the standard in question, which would devalue the standardisation process. Moreover, where the SEP-holder uses actions for a prohibitory injunction as leverage to increase licence fees, contrary to the FRAND commitment, the prices of LTE standard-compliant products and services are indirectly and unfairly affected, to the detriment of the consumers of those products and services.

51 — See paragraph 3.1 of the ETSI Intellectual Property Rights Policy.

E – *Application to the present case*

1. Question 1

76. Although the Court has no jurisdiction under Article 267 TFEU to apply Article 102 TFEU to a particular case, it may, within the framework of the judicial cooperation provided for in that article, and on the basis of the material presented to it, provide the referring court with an interpretation of Article 102 TFEU which may be useful to it for the purposes of applying that article to the specific facts before it. [52]

77. It goes without saying that the unlicensed use of a patent, in principle, infringes the intellectual property rights of the patent owner and that the latter has a number of legal remedies available to him under Directive 2004/48 for the purposes of enforcing his rights, including an action for a prohibitory injunction. In such cases, the infringer must open negotiations with the patent owner with a view to concluding a licensing agreement before committing an infringement.

78. The dispute before the referring court differs from the foregoing in that the patent owner gave a commitment to a standardisation body (of which it is a member, as is the alleged infringer) to grant licences to third parties on FRAND terms.

79. The guidelines applicable to such a case seem to me to be as follows.

80. To the extent that the infringer is and remains 'able' to conclude and comply with a licensing agreement on FRAND terms and, in particular, to pay an appropriate royalty, the SEP-holder must, given the importance of what is at stake, take certain specific steps before bringing an action for a prohibitory injunction in order to honour its commitment and discharge its special responsibility under Article 102 TFEU.

81. This is particularly indispensable where it is not certain that the SEP infringer necessarily knows that it is using the teaching of a patent that is both valid and essential to a standard. As far as the LTE standard is concerned, it would appear that more than 4 700 patents have been notified to ETSI as essential, and that a large proportion of those may not be valid or essential to the standard. [53]

82. It is therefore possible that even a large telecommunications undertaking such as ZTE was unable to verify in advance whether all the patents relating to the LTE standard which were notified to ETSI were essential and valid. It should also be taken into consideration that the telecommunications sector is constantly evolving and that undertakings (and therefore potential infringers) must respond quickly in order to bring their products and services to market. It does not therefore seem unreasonable to me that an agreement to license an SEP on FRAND terms should be negotiated and concluded *ex post*, that is to say, after the use of the teaching protected by that patent has begun.

52 — See, to that effect, *Ioannis Katsivardas — Nikolaos Tsitsikas* (C-160/09, EU:C:2010:293, paragraph 24).

53 — Huawei itself points out that 'an SEP user should act within a reasonable timeframe when making an offer for a FRAND licence or giving a commitment to accept the terms laid down by a court or arbitration tribunal. Some argue that it must have made an offer for a FRAND licence on its own initiative before starting to use the standard. However, this seems unrealistic in the telecommunications industry, given the large number of SEPs and SEP owners and the uncertainty over whether (allegedly) essential patents are valid and whether they have been infringed. Similarly, it is unrealistic to require a standard implementer to enter into negotiations to secure a licence for any patent declared essential before even making use of that patent. Standard implementers in the telecommunications industry cannot be expected (nor is it customary in that sector) to assess every patent that has been declared essential, enter into negotiations to obtain a licence to use that patent and issue a legally binding declaration in respect of each essential patent to every owner of such a patent before starting to use the standard in question. The administrative and financial burden involved would be so onerous and the investment in time so considerable as to make it impossible in practice to use the standard'.

83. On that basis, what specific steps must the SEP-holder take before bringing an action for a prohibitory injunction [54] in order not to be deemed to be abusing its dominant position?

84. First, unless it is established that the alleged infringer is fully aware of the infringement, the SEP-holder must alert it to that fact in writing, giving reasons, and specifying the SEP concerned and the way in which it has been infringed. Such a step does not place a disproportionate burden on the SEP-holder as it is one which it would have to take in any event in order to substantiate an action for a prohibitory injunction.

85. Secondly, the SEP-holder must, in any event, present to the alleged infringer a written offer for a licence on FRAND terms that contains all the terms normally included in a licence in the sector in question, in particular the precise amount of the royalty and the way in which that amount is calculated.

86. Again, such a requirement is not disproportionate, as the SEP-holder has voluntarily undertaken to secure a return on its intellectual property in this manner, thus voluntarily restricting the way in which it exercises its exclusive right. It is therefore reasonable to expect it to prepare and draft such an offer immediately upon obtaining its patent and giving its commitment to grant licences on FRAND terms. Moreover, given that that commitment from the SEP-holder includes an obligation not to discriminate between licensees, the SEP-holder alone has the information necessary for the purposes of complying with that obligation, particularly if it has already granted other licences.

87. Once those steps have been taken, what are the obligations of the alleged infringer?

88. It must respond in a diligent and serious manner to the offer made by the SEP-holder. If it does not accept that offer, it must promptly submit to the SEP-holder, in writing, a reasonable counter-offer relating to the clauses with which it disagrees. As the referring court has pointed out, the bringing of an action for a prohibitory injunction would not constitute an abuse of a dominant position if the infringer's conduct were purely tactical and/or dilatory and/or not serious.

89. The time frame for the exchange of offers and counter-offers and the duration of the negotiations [55] must be assessed in the light of the 'commercial window of opportunity' available to the SEP-holder for securing a return on its patent in the sector in question.

54 — Question 1 is specifically concerned with actions for a prohibitory injunction.

55 — Which must be opened (and concluded) quickly, given that the infringer is using the teaching of an SEP (without paying for it).

90. It is for the referring court to verify whether — and, if so, to what extent — the conduct of Huawei and ZTE is in keeping with those guidelines. I would qualify the few additional points that I am about to make by saying that the course and precise content of the series of contacts between Huawei and ZTE are not clear from the order for reference. Furthermore, in their observations before the Court, Huawei [56] and ZTE [57] give very different, not to say contradictory, accounts of that contact.

91. What *is* clear from the order for reference is that, during its discussions with ZTE between November 2010 and the end of March 2011, [58] Huawei indicated the amount which, in its view, represented a reasonable royalty. It is for the referring court to assess the content of that 'offer' [59] by Huawei and whether it satisfies the conditions and assumptions set out in points 84 and 85 above.

92. In addition, the referring court must verify whether, on the basis of the royalty proposed by Huawei and ZTE's response, there was a real possibility of negotiating FRAND terms. In this regard, I take the view that the referring court must assess whether ZTE's proposal for a cross-licensing agreement [60] and the payment of a royalty of EUR 50 were appropriate in the circumstances and satisfied the conditions and assumptions set out in point 88 above.

93. Furthermore, if negotiations are not commenced or are unsuccessful, the conduct of the alleged infringer cannot be regarded as dilatory or as not serious if it asks for those terms to be fixed either by a court or an arbitration tribunal. In that event, it would be legitimate for the SEP-holder to ask the infringer either to provide a bank guarantee for the payment of royalties [61] or to deposit a provisional sum [62] at the court or arbitration tribunal in respect of its past and future use of the SEP.

94. The same would apply if, during the negotiations, the infringer reserved the right, following the conclusion of a licensing agreement, to challenge before a court or arbitration tribunal, on the one hand, the validity of that patent and, on the other hand, the illegality, or even the existence itself, of the use it had made or would make of the teaching protected by the patent.

56 — Huawei claims that it informed ZTE in November 2010 that 'it was using various LTE patents owned by Huawei and proposed that they conclude a licensing agreement on [FRAND] terms. ZTE replied that Huawei was itself acting in breach of its own patents and sought a cross-licensing agreement, with no royalty. However, in reality, ZTE did not own any validly issued patents in the technical field concerned that might be of interest to Huawei. … In December 2010, Huawei made available to ZTE … a list of those of its own patents that were most affected and proposed the grant of a licence for that portfolio of patents. Finally, later than agreed, ZTE sent a list of its own patents which it claimed were affected. In various discussions between the parties, ZTE set out its position in principle to the effect that only a cross-licensing agreement without royalties would be acceptable. … In March 2011, Huawei made another licence offer to ZTE. That offer, too, was rejected by ZTE, which maintained its position. ZTE did not make a counter-proposal for the conclusion of a licensing agreement on fair, reasonable and non-discriminatory terms in relation to any of the patents owned by Huawei. … In April 2011, after five months of fruitless discussions, Huawei decided to initiate legal proceedings'.

57 — According to ZTE, 'between November 2010 and March 2011, [Huawei] set out some general requirements regarding the royalty to be paid under the licence. It did not make a specific proposal for an agreement or justify its requirements. During their contacts with one another, [Huawei] presented to [ZTE] a list of 450 patents (from 130 patent families) declared to be essential to various standards … Despite numerous requests to that effect, [Huawei] refused to support its claim by providing, in the patent disputes, 'tables' of use establishing the link between the rights and the specifications and providing a basis for assessment of the claims made by [Huawei]'. ZTE adds that '[Huawei had], in the course of [their] communications between November 2010 and March 2011, sought a cross-licensing agreement under which [ZTE] would have had to pay [Huawei] a net royalty rate of 1.8% to offset the difference in value between the portfolios. That request clearly constitutes an excessive royalty'. Moreover, ZTE claims that it 'proposed to [Huawei] that it pay it [a royalty rate of 0.0022% for the patent at issue, calculated] on the basis of a generally accepted method …'. ZTE adds that, '[t]hroughout the entire process, [Huawei] did not at any time submit a specific counter-proposal. It did nothing but criticise [ZTE's] offer for being inadequate. In particular, [Huawei] did not at any time indicate the value of the patent at issue'. '[ZTE] calculated the amount of damages on the basis of the rate of 0.0022% …, itself based on previous sales of LTE standard-compliant base stations. Since, up to the relevant date, only 35 experimental stations had been sold, the sum of EUR 50 was calculated. If the number of stations sold increases, the amount of damages will also increase'.

58 — See point 27 of this Opinion.

59 — I would point out, in this regard, that the referring court states that Huawei and ZTE 'did not exchange any specific offers in relation to a licensing agreement'. See point 27 of this Opinion.

60 — See point 27 of this Opinion.

61 — Which will be fixed by the court or arbitration tribunal.

62 — Which will be fixed by the court or arbitration tribunal.

95. Indeed, as regards the validity of the SEP, I share the view of the referring court, Huawei, ZTE and the Commission that it is in the public interest for an alleged infringer to have the opportunity, after concluding a licensing agreement, to challenge the validity of an SEP (as ZTE did). As the Commission has pointed out, the wrongful issue of a patent may constitute an obstacle to the legitimate pursuit of an economic activity. Moreover, if undertakings supplying standard-compliant products and services cannot call into question the validity of a patent declared to be essential to that standard, it could prove effectively impossible to verify the validity of that patent because other undertakings would have no interest in bringing proceedings in that regard. [63]

96. As regards the use of the teaching of a patent, undertakings which implement a standard clearly do not have to pay for intellectual property which they are not using. [64] It follows that the alleged infringer can call in question *ex post* its supposed use of the teaching of a patent and the nature of that patent as being essential to the standard in question.

97. In the light of the answers to Question 1, I do not consider there to be any need to answer Questions 2 and 3.

2. Question 4

98. The fourth question is based on the premiss, arising from the judgment of the Bundesgerichtshof in *Orange-Book-Standard*, that the infringer must, even before concluding a licensing agreement, fulfil the obligations which will be incumbent on it under the future licensing agreement. I am of the opinion that such a requirement should not be imposed in cases concerning the use of an SEP where the patent owner has made a commitment to grant licences on FRAND terms. However, as is apparent from my reply to Question 1, the infringer must show itself to be objectively ready, willing and able to conclude such a licensing agreement. In those circumstances, the SEP-holder may require the provision of a bank guarantee for the future payment of royalties or the deposit of a provisional sum for past and future use of its patent.

3. Question 5

99. By this question, the referring court asks the Court whether the SEP-holder abuses its dominant position where it takes legal action to assert other claims arising from the infringement, namely, the rendering of accounts, the recall of products and damages.

100. Given that the corrective measures provided for in Article 10 of Directive 2004/48 [65] may consist in the exclusion from the markets covered by the standard of the products and services supplied by an SEP infringer, the considerations set out in points 77 to 89 and 93 to 96 above regarding the action for a prohibitory injunction apply *mutatis mutandis* to the corrective measures provided for in Article 10 of that directive.

101. However, I do not see anything in Article 102 TFEU to preclude an SEP-holder from taking legal action to secure the rendering of accounts in order to determine what use the infringer has made of the teaching of an SEP with a view to obtaining a FRAND royalty under that patent. It is for the national court in question to ensure that the measure is reasonable and proportionate.

63 — Challenging the validity of a patent is very costly. I take the view, therefore, that only undertakings which use the teaching of a patent have an interest in challenging its validity, in order, in particular, to avoid having to pay royalties on a licence. If undertakings which implement a standard and, therefore, use the teaching of an SEP do not have the right to challenge the validity of the patent, not only do they run the risk of paying a royalty which is not due, but, as pointed out by the referring court in the order for reference, 'it may prove impossible to check the validity of SEPs (patents which all operators on the market in question are obliged to use)'.

64 — See, by analogy, *Der Grüne Punkt — Duales System Deutschland* v *Commission* (C-385/07 P, EU:C:2009:456, paragraphs 141 to 147).

65 — Those measures include recall from the channels of commerce.

102. Finally, I am of the opinion that a claim for damages for past acts of use infringing the SEP is in no way problematic from the point of view of the application of Article 102 TFEU. Given that the sole purpose of such a claim is to compensate the SEP-holder for previous infringements of its patent, that claim does not, as the Commission has pointed out, lead 'either to the exclusion from the market of standard-compliant products or to the acceptance by a potential licensee of unfavourable licensing terms for the future use of an SEP'.

VI – **Conclusion**

103. In the light of the foregoing considerations, I propose that the Court should reply as follows to the questions referred for a preliminary ruling by the Landgericht Düsseldorf:

(1) The fact that a holder of a standard-essential patent (SEP) which has given a commitment to a standardisation body to grant third parties a licence on FRAND (Fair, Reasonable and Non-Discriminatory) terms makes a request for corrective measures or brings an action for a prohibitory injunction against an infringer, in accordance with Article 10 and Article 11, respectively, of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, which may lead to the exclusion from the markets covered by the standard of the products and services supplied by the infringer of an SEP, constitutes an abuse of its dominant position under Article 102 TFEU where it is shown that the SEP-holder has not honoured its commitment even though the infringer has shown itself to be objectively ready, willing and able to conclude such a licensing agreement.

(2) Compliance with that commitment means that, prior to seeking corrective measures or bringing an action for a prohibitory injunction, the SEP-holder, if it is not to be deemed to be abusing its dominant position, must — unless it has been established that the alleged infringer is fully aware of the infringement — alert the alleged infringer to that fact in writing, giving reasons, and specifying the SEP concerned and the manner in which it has been infringed by the infringer. The SEP-holder must, in any event, present to the alleged infringer a written offer of a licence on FRAND terms which contains all the terms normally included in a licence in the sector in question, in particular the precise amount of the royalty and the way in which that amount is calculated.

(3) The infringer must respond to that offer in a diligent and serious manner. If it does not accept the SEP-holder's offer, it must promptly present to the latter, in writing, a reasonable counter-offer relating to the clauses with which it disagrees. The making of a request for corrective measures or the bringing of an action for a prohibitory injunction does not constitute an abuse of a dominant position if the infringer's conduct is purely tactical and/or dilatory and/or not serious.

(4) If negotiations are not commenced or are unsuccessful, the conduct of the alleged infringer cannot be regarded as dilatory or as not serious if it requests that FRAND terms be fixed either by a court or by an arbitration tribunal. In that event, it is legitimate for the SEP-holder to ask the infringer either to provide a bank guarantee for the payment of royalties or to deposit a provisional sum at the court or arbitration tribunal in respect of its past and future use of the patent.

(5) Nor can an infringer's conduct be regarded as dilatory or as not serious during the negotiations for a FRAND licence if it reserves the right, after concluding an agreement for such a licence, to challenge before a court or arbitration tribunal the validity of that patent, its supposed use of the teaching of the patent and the essential nature of the SEP in question.

(6) The fact that the SEP-holder takes legal action to secure the rendering of accounts does not constitute an abuse of a dominant position. It is for the national court in question to ensure that the measure is reasonable and proportionate.

(7) The fact that the SEP-holder brings a claim for damages for past acts of use for the sole purpose of obtaining compensation for previous infringements of its patent does not constitute an abuse of a dominant position.