Defences to patent infringement in a standards context

Recently, patent infringement disputes involving standards have arisen in DVD, mobile, semiconductor, PC, and other key technologies. The standards context raises some interesting questions ranging from proof of infringement to availability of injunction. Is professed use of a standard sufficient proof that a "necessary" patent claim has been infringed? Does a patent holder's commitment to offer reasonable and nondiscriminatory (RAND) licenses limit or preclude injunctive relief? Does a RAND commitment affect available damages or the scope of the remedy? How do different countries view standards-related issues.

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1) Introduction and background

The European area is a commercially very significant R&D originator and market area in telecoms and electronics. For this reason alone patent litigation in standards-related areas was always inevitable. The special characteristics of standards-related litigation, when combined with the procedurally and legally complex systems of litigation in various European jurisdictions, have created some extraordinarily challenging situations for litigants.

This paper discusses some of the recent trends in standards-related patent litigation in some the main European patent jurisdictions: Germany, the UK and the Netherlands. These are some of the main jurisdictions in which significant numbers of patent cases are heard. The discussion of German and Dutch case law in this paper is only at a general level[1] for the purposes of giving an overview.

There are recent case law developments in all three countries. In Germany, following the landmark decision of the Federal Supreme Court in *"Orange Book"*, the *IPCom v Nokia* decision clarified the views of the Mannheim court in relation to certain contractual undertakings to grant licences. In the Netherlands, the *LG v Sony* decision followed closely on the heels of *Philips v SK Kasetten* to give a contrasting example of two very different situations and the flexibility of the Dutch court in dealing with cases of different types. In the UK, the difficult question of the *ex turpi causa* defence was addressed in March 2011 in *Servier v Apotex*[2]. This defence is similar to the German *dolo agit* doctrine discussed below in relation to the *Orange Book* case.

It is clear from decisions over the last 1-2 years that German law appears to be developing away from comparable law elsewhere. Whilst the German courts seem to favour a more mechanical application of an extensive set of complex and fixed rules, Dutch courts and UK courts continue

[1] The author of this paper is a solicitor qualified in England & Wales, and is not qualified in Germany or the Netherlands. The comments herein regarding German and Dutch case law should therefore not be viewed as definitive statements or views, but simply as general comments.

[2] [2011] EWHC 730 (Pat).

to apply flexible approaches. For both plaintiffs and defendants, this means that multi-jurisdictional litigation in Europe is ever more complex.

2) Germany

a) Federal Supreme Court, KZR 39/06, *"Orange Book", May 2009*

The Federal Supreme Court held, in its landmark decision in May 2009, that a defence to a claim for injunctive relief based on patent infringement may be available on the basis of the *dolo agit* principle. The basic concept is that no-one can sue for a benefit which he would have to return immediately upon receipt. The defendant claimed that the plaintiff had abused a dominant position by refusing to grant a licence on fair, reasonable and non-discriminatory ("FRAND") terms to the defendant, and that a compulsory licence should be granted to the defendant. This claim was based on both German and EU competition law. If defendant's claim for a compulsory licence were to be successful, then the plaintiff would never receive the benefit of an injunction, and thus according to the *dolo agit* principle he cannot claim an injunction.

The Federal Supreme Court set out a number[3] of significant conditions that must be satisfied before the Court can validly conclude that there has been an abuse of a dominant position.

First, the defendant must already have made a binding, unconditional offer to the plaintiff to "conclude" a licence on FRAND terms, and "stay bound by this offer". Furthermore, the offer must be such that its rejection by the plaintiff would amount to an abuse of a dominant position.

Second, if the defendant infringes, it must have complied with its obligations in the licence proposed to the claimant (even though it had not been accepted by the claimant), including the payment of royalties.

Conditional offers

It does not seem to be possible, following *Orange Book*, for the defendant to undertake to take a licence only if a court finds that the patent in suit is infringed. The court said:

> *"It likewise results from what has been said above that an abuse of a dominant position on the market is not present if the proposed licensee only makes a conditional license offer, i.e. if he offers to conclude an agreement only on the condition that the infringement court affirms the infringement of the patent in suit by the attacked embodiment that he denies. The patent proprietor does not have to accept such an offer under other circumstances, either; it can therefore not be used as a defence against his claim for injunctive relief."*

It might not be possible for the defendant to condition the licence offer on the validity of the patent either. It was not expressly considered by the court.

Party required to make contract offer

The view of the German Supreme Court appears to be that the defendant must make an unconditional, irrevocable offer to enter into a contractual licence. On its face, requiring something from the defendant seems odd, given that the offer factors into the Court's assessment of whether the plaintiff has abused a dominant position. There seems to be no reason in principle why a demand for excessive and unreasonable licensing terms by the plaintiff could not amount

[3] Probably a non-exhaustive list, and possibly applicable only in factually similar cases.

to an abuse, even in the absence of any offer by the defendant. However, the view of the German Supreme Court in *Orange Book* was that requiring the defendant to make an offer is:

> *"... generally recognized, because the patent proprietor with a dominant position on the market is not obliged to offer to permit the use of the invention"*

It is not known what the "generally recognized" finding was based on. It may be that another position could be adopted in other cases, given that patentees do in fact give undertakings to grant licences on FRAND terms in relation to some standards. For example, under the 3GPP/ETSI regime, patentees make the following commitment when declaring their patents to the standard:

> *"the Declarant hereby irrevocably declares that it and its AFFILIATES are prepared to grant irrevocable licenses under its/their IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy… "*

A more flexible position reflecting the reality of contractual negotiations might be to examine the final positions of the parties – if those are admissible in the proceedings[4], or even to require both parties to make open but confidential[5] submissions to the Court before trial regarding the terms of any licence they would be prepared to accept.

Terms of the contract to be offered

The decision did not consider the terms that should be offered, saying only that:

> *"The present case does not warrant a detailed discussion of what kind of terms and conditions such a license offer has to include in detail. If the proposed licensee makes an offer on* ***customary*** *terms and conditions, the patent proprietor is only able to claim that he does not have to accept individual contract terms if he offers other terms instead, which agree with his obligations under cartel law."* (emphasis added)

It is debatable whether any "customary" terms in fact exist. For example, should customary terms include or exclude:

- A licence back under essential or non-essential patents;
- Patents other than those in suit;
- Patents in territories other than the patent in suit;
- A non-challenge clause;
- An ability to sub-license downstream dealings, for example distributors and end-users, or will those entities have to rely on patent exhaustion;
- Have-made rights; or
- A volume-based or other royalty cap?

[4] Under English law, negotiations may be "without prejudice" as a result of which privilege attaches to any without prejudice communications between the parties, and consequently those communications will not be admissible in proceedings between the parties. It is believed that a similar system of protection is available under U.S. law.

[5] i.e., admissible but confidential.

In an earlier decision (*Siemens v Amoi*[6]) the District Court of Düsseldorf held that a cap should be included in the "usual" licence agreement to ensure that a court-specified maximum cumulative royalty burden for all patents essential to the specific standard will not be exceeded, but in a context where the plaintiff demanded a cross-licence to all the defendant's patents, including non-essential patents. This discussion regarding "usual" licensing terms appears to be too fact-specific to give helpful guidance for the future.

A defendant's answer could also be that "customary" refers to terms that are customary in its own in-licensing programme – the German Supreme Court was not clear whether it should be the customary terms of the plaintiff or the defendant.

Of course, it is also possible that "customary" means terms that are customary in the industry as a whole. That is a tempting position to adopt, but there are real difficulties with gathering evidence regarding the licensing practices of an entire market[7] and it is difficult to conceive of a diverse, competitive market, which for some reason would have very similar contracts in place. One party asserting that a class of "customary" contracts exists, but without producing sufficient evidence to support that assertion, would seem to be an unsatisfactory submission for the court to rely on when making factual findings.

Without more, it seems that the German Supreme Court's statements regarding the terms of the offer that a defendant should make are not possible to apply in practice with any precision or certainty. Given that the ruling cannot be appealed further, but will be very influential in lower courts in Germany, parties will need to grapple with it and in the short to medium term form their own views of suitable FRAND terms if they wish to rely on the *Orange Book* defence.

Amount of royalties to be offered

A defendant who wishes to rely on *Orange Book* is in an obvious dilemma. If the licence offer he makes and the royalties he pays are less than FRAND, it will not have been abuse for the plaintiff to reject the offer, and the defendant will be without a defence to infringement having possibly chosen also not to argue non-infringement[8]. How much should the defendant offer?

The Federal Supreme Court indicated that it is not necessary to specify a particular amount. Instead, the defendant may include a term in the licence offer that allows the royalties to be determined by the plaintiff, in his reasonable discretion. The exercise of that discretion is subject to judicial review. The payment to be made pending a determination of the FRAND defence by the court should, however, be "objectively reasonable".

Thus, the defendant in a German patent infringement action relying on *Orange Book* has three choices:

- Determine what the objectively reasonable FRAND royalty should be, offer that and pay that; or

[6] 4a 124/05.
[7] And, even if the court did wish to obtain evidence of "customary" terms for an entire industry, it is questionable whether such evidence could easily be produced the German court system, which does not have a system of party or third-party discovery similar to that available in common law systems. The German court can order inspections of premises within Germany, but since a number of international litigants will not store documentation in Germany, it is arguable whether this is of real value when considering an industry-wide FRAND rate.
[8] Since an argument of non-infringement could conflict with the defendant's primary position that the patent is essential and therefore the plaintiff is in a dominant position, if arguments in the alternative are not possible.

- Determine what the objectively reasonable FRAND royalty should be, pay that, and make a licence offer which specifies that the royalties are to be determined by the plaintiff in his reasonable discretion; or
- Pay what the plaintiff demands.

The common factor is that the defendant is still required to determine objectively reasonable FRAND royalties and pay them. If he is wrong in his determination, his defence to infringement will fail, and he could well be injuncted (see below).

Escrow

The Federal Supreme Court indicated that, if a defendant adopts the Orange Book defence and "behaves like a licensee", the defendant should provide regular royalty reports and instead of remitting royalties to the plaintiff the defendant can choose to pay "a sufficient amount" into escrow.

The key point for some defendants is not whether the plaintiff receives the putative royalty amounts (and possibly returns any excess later, perhaps because the defendant claims that an excess would result in unjust enrichment), but whether the defendant can even afford to pay sums into escrow when he is engaged in a multi-year litigation with the plaintiff. Part of the defendant's FRAND arguments may be that his financial position, and the profit margin available if the plaintiff's royalty demand were to be paid, should be a relevant factor when determining a FRAND rate. An impecunious defendant appears to be precluded from such arguments in practical sense if a lower FRAND rate is unsafe given the risk of an injunction.

Injunctive relief

Following the *Orange Book* decision, as well as decisions of the District Court of Düsseldorf in other cases, it is clear that the German court is prepared to grant an injunction if the FRAND defence fails. In *Orange Book*, the German Supreme Court said:

> *"[The plaintiff] does not have to tolerate the use of his patent by a company who is not ready to enter into a license agreement on such terms and conditions."*

and

> *"In the same manner as the proposed licensee cannot be denied the possibility to defend himself first and foremost against the accusation of infringement, the consequence being that the action has to be dismissed in its entirety if the accusation of infringement turns out to be unjustified, the patent proprietor cannot be prohibited from first and foremost asserting the claim for injunctive relief based on the patent, the consequence being that this claim **must** be awarded if the infringement is confirmed and if the court negates a dominant position on the market or an abuse of the same"* (emphasis added)

The German court therefore does not appear have been willing to apply *eBay* type criteria when considering whether to grant injunctive relief, indeed, it seems that the injunction issues as of right if infringement is found. This approach could be contrasted with that of the English court (see below). It must be kept in mind that on some occasions[9] the German court may be willing to suspend the enforcement of a granted injunction pending appeal, as happened recently in

[9] Perhaps if the plaintiff is a non-practising entity.

IPCom v HTC[10]. Relevant factors in that case included the potential losses of the defendant and the limited interests of the plaintiff in enforcing the injunction. However, even in such a case, the suspension is temporary.

The current approach of the German court to injunctions appears to be more robust than that required by relevant EU legislation[11], which states that:

> *"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."* (emphasis added)

Recital 25 makes it clear that the proportionality of relief (including injunctions) is important:

> *"Where an infringement is committed unintentionally and without negligence and where the corrective measures or injunctions provided for by this Directive would be disproportionate, Member States should have the option of providing for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure. However, where the commercial use of counterfeit goods or the supply of services would constitute an infringement of law other than intellectual property law or would be likely to harm consumers, such use or supply should remain prohibited."*

Thus it may be arguable that in appropriate cases no injunction should be automatically issued.

b) District Court of Mannheim, *IPCom v Nokia*, February 2011

This very recent German decision illustrates the widening gulf between the case law in Dusseldorf, Mannheim and the rest of Europe. IPCom obtained an injunction against Nokia on the basis of a patent said to be essential to 3G mobile phones, and Nokia's *Orange Book* defence did not negate infringement.

Aspects of interest in the decision relate to the effect of undertakings to grant licences in circumstances where patents are assigned, the nature of licensing undertakings under German law, requests for compulsory licences and more detail on the permitted methods of providing escrow payments.

Assigned patents

IPCom was assigned the application from which the patent in suit, a divisional, stemmed. ETSI licensing undertakings were given by the predecessor in title in relation to the original application. However, the patent in suit was granted to IPCom on the basis of a divisional filed by IPCom. The court referred to its earlier decisions and determined that IPCom was not bound by the undertakings given by the predecessor in title to the patents in suit.

If the fundamental principle behind the Court's ruling was that an anti-trust objection is always available anyway and thus contractual undertakings are not needed, the ruling represents a narrowing of the permissible bases on which a defence to patent infringement could be argued under German law. It is of concern, especially in cases in which a contractual undertaking to grant licences exists and there are factors making such a contractual defence different in effect to

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[10] 7 O 94/08, Court of appeal of Karlsruhe, which hears appeals from the District Court of Mannheim.
[11] EU Enforcement Directive, 2004/48/EC, 29 April 2004.

a corresponding anti-trust defence. In such cases the defendant might not be able to bring the full panoply of defences to bear that it should be entitled to.

Law governing ETSI undertakings and nature of undertakings to grant licences

The Court found that French law is not to be applied when considering the effect of ETSI undertakings to grant licences, which now state:

> *"The construction, validity and performance of this IPR information statement and licensing declaration shall be governed by the laws of France."*

The Court found that French law is not to be applied when considering the effect of ETSI undertakings to grant licences:

> *"French law is not applicable in connection with the ETSI-FRAND undertaking made by Robert Bosch GmbH, if for no other reason than based on the principle of national protection."*

The Mannheim court appears to have developed a view that licences in relation to German patents are an *in rem* object of property, and therefore German law applies. It is not easy to see how a global licensing agreement can comply with German law in relation to just the German patents licensed. If other courts in Germany uphold these rulings, the workings of the ETSI declaration system could be prejudiced by a national German view.

Escrow payments

The Court found that Nokia did not satisfy the relevant *Orange Book* criteria in relation to escrow payments, because each individual defendant, such as the CEO of Nokia, did not pay a separate licence fee into escrow. There was just a payment by one corporate defendant.

Compulsory licence claims

An express claim by Nokia for a FRAND compulsory licence, which IPCom had undertaken to grant, was dismissed as follows:

> *"Nor are the defendants able to defend the asserted claims for accountability and damages with a claim under antitrust law, which in principle is possible (see BGH GRUR 20004, 966 - Standard Barrel), for granting a patent license, because the plaintiff, as stated, was entitled to an enforceable right to injunctive relief against the defendants since they had used the patented invention in the past, contrary to§ 9 PatG."*

As this sentence appears to be premised on its own conclusion, it is not clear what the exact basis for the Court's ruling was. It is clear, however, that the Mannheim court is not attracted by issues beyond infringement and an anti-trust defence against infringement on the basis of *Orange Book*, regardless of whether they are the defendant's preferred arguments.

3) The Netherlands

a) *Philips v SK Kassetten*, DC The Hague *("Dutch Orange Book")*

The first European judicial consideration of the *Orange Book* decision came from the District Court of the Hague in the Netherlands in March 2010[12]. The Dutch court disagreed with the German Supreme Court, and said that the German decision:

> *"(i) flies in the face of patent law […] (ii) brings about legal uncertainty […] and (ii) is unnecessary for the protection of the legitimate interests of the defendant […]."*

This could be a somewhat unpromising start for the development of a uniform body of European FRAND law, but given some of the disadvantages with *Orange Book*, could instead be described as a frank summary of the practical utility of *Orange Book*.

Flies in the face of patent law

The Dutch court indicated that, as long as SK does not have a license, there are in principle no grounds for allowing SK the use of the patented technology, nor to prevent Philips from enforcing its patents. The Dutch court therefore rejected the application of the *dolo agit* principle in this case.

Brings about legal uncertainty

The Dutch court indicated that, as long as the alleged entitlement is not converted into an actual licence, it is uncertain for both parties if the alleged entitlement is justified, or what the license terms will be. There will be frequent cases of such uncertainty, as parties regularly will have different opinions regarding the answer to the question which terms, and especially which royalty rates, are FRAND. Therefore, in the opinion of the Dutch court, in view of legal certainty a mere entitlement to a licence should not prevent enforcement.

Of course, if there is genuine disagreement regarding the FRAND royalty, a defendant may never get a licence agreed with the plaintiff, which substantially eliminates the possibility of a FRAND defence altogether, unless there is a mechanism to resolve the difficulty. The further answer suggested by the Dutch court to this problem was three-fold:

- Firstly, it is SK that wishes to use the patented technology. In view thereof, it may be expected of SK that it takes the initiative and timely arranges for a licence;
- Secondly, the period that Philips could have prevented SK from entering the market in spite of the alleged entitlement to a licence, would not have had to last long. If SK would have had an urgent interest in its claim to entitlement to a FRAND-license, it would have been able to claim a provisional license in preliminary injunction proceedings. It did not do so; and
- Thirdly, Philips' right to enforcement does not preclude that – if it would later on turn out that the claimed entitlement to a license is just – Philips would need to compensate SK for the damages it had suffered as a result of the unjustified rejection to conclude a license.

This answer is jurisdictionally complex if other countries adopt the same approach.

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[12] *Koninklijke Philips Electronics N.V. v SK Kassetten GmbH & Co. KG*, District Court The Hague, The Netherlands, 17 March 2010, Joint Cases No. 316533/HA ZA 08-2522 and 316535/HA ZA 08-2524

Is unnecessary for the protection of the legitimate interests of the defendant

The Court's view was that, since a defendant may seek a compulsory licence proactively, it is unnecessary to provide a defence based on a claimed compulsory licence.

a) *LG v Sony*, DC The Hague, March 2011

A year later, the Dutch Court was faced with a different situation. LG brought a claim against Sony in the Netherlands, and seized Sony products being imported into the Netherlands under the Customs Regulation, as well as seeking an interim injunction against Sony in relation to certain Sony products in the Netherlands. However, since the patents in suit were said to be essential to Blu-ray players, the Court was able to take into account the effects of the contractual framework concerning Blu-ray licensing which had been agreed by both LG and Sony. The Court found that LG's interim injunction should be lifted, and the goods seized under the Customs Regulation should be released.

The learned Judge carefully distinguished the case from *Philips v SK Kasetten*, at least on the basis that the negotiation process was not open-ended and there was a contractual mechanism for getting to an agreed licence:

- *"A Member is obliged to offer a license under its essential patents under FRAND terms. If negotiations between the members do not lead to an agreement regarding the terms, the Bylaws prescribe the appointment of an arbitrator to decide the matter. For now, the judge in interlocutory proceedings concludes that the [Blu-ray Disc Association] Bylaws necessarily lead to the grant of a license by a Member to other Members."*

- *"The judge in interlocutory proceedings emphasizes that the aforementioned unavoidable consequences can only occur between Members. Non-Members are, after all, not bound by the Bylaws. It is exactly this fact, which distinguishes this case from the case Phillips – SK Kassetten."*

It is notable that the judge did not think it necessary to simply consider anti-trust objections, as has been done in Germany following *Orange Book*.

Interim injunctions

The learned Judge also found that there was a basis for lifting the interim injunction obtained by LG:

- *"The parties agree that the [Blu-ray Disc Association] Bylaws, in as far as licensing back and forth is concerned, are decisive for the legal position of the parties. ... The parties did however recognize that the terms "fair and reasonable" should be decisive for interpreting the Bylaws and that this interpretation is in close approximation with an interpretation based upon the rules of good faith, as in the Dutch jurisprudence."*

- *"The judge in interlocutory proceedings understands that the scope of the Bylaws is to commercialize the Blu-ray Standard in a manner which is advantageous to the members (see also Clause 3 and also Clause 16, par. 4). In principle it is incompatible with this that members bombard each other with infringement actions."*

Again, a contractual argument was found sufficient by the Dutch court.

2) The UK

There were no reported decisions in the UK as at the time of writing[13] on whether a FRAND defence would be assessed in the same way as in either *Orange Book* case. There are, however, some observations that can be made in relation to the UK on principles relating to whether a competition law claim can form a defence, also in light of the recent decision of the Court of Appeal in *Oracle v M-Tech*[14] and the very recent decision of the Patents Court in *Servier v Apotex*, and on injunctive relief.

Counterclaim or defence?

A defendant may, of course, rely on a defence of licence (that is, that he has the patentee's consent). Such a defence negates infringement. The availability of a licence defence will depend on the specific regime surrounding the standard in question. For example, it may be argued that a declaration that licences are available followed by an act of acceptance creates a licence. In such a situation, the defendant's argument would be that he actually does have a licence, not that he is merely entitled to a licence.

It may also be possible to argue, under national English law, that an abuse of a dominant position by a refusal to licence on FRAND terms does give rise to a defence to infringement. This would be on the basis of a plea of *ex turpi causa non oritur actio*. The principle is that a claimant cannot found his claim on a wrong that he himself committed.

The principle is old[15] but was approved by the House of Lords in *Tinsley v Milligan*[16], where is was said that:

> *"... The principle of public policy is this; ex dolo malo non oritur actio. No court will lend its aid to a man who founds his cause of action upon an immoral or an illegal act. If, from the plaintiff's own stating or otherwise, the cause of action appears to arise ex turpi causa, or the transgression of a positive law of this country, there the court says he has no right to be assisted. It is upon that ground the court goes; not for the sake of the defendant, but because they will not lend their aid to such a plaintiff. ... The question therefore is, 'Whether, in this case, the plaintiff's demand is founded upon the ground of any immoral act or contract, or upon the ground of his being guilty of any thing which is prohibited by a positive law of this country."*

The main question is whether the cause of action arises from the violation. There must be a sufficient nexus between the two: the facts which give rise to the claim must be inextricably linked with the criminal activity[17]. Another perspective is to consider whether the relevant loss claimed by the plaintiff is inextricably linked with the plaintiff's illegal act[18].

The Court of Appeal recently stated in *Oracle v M-Tech* that, in relation to trade mark infringement, it was at least arguable on the facts of that case that there was a connection

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[13] April 2011.
[14] [2010] EWCA Civ 997, 24 August 2010.
[15] It can be found, for example, in the judgment of Lord Mansfield in *Holman v Johnson* (1775) 1 Cowp R.
[16] [1994] 1 AC 340.
[17] Sir Murray Stuart-Smith in *Vellino v Chief Constable of Greater Manchester* [2001] EWCA Civ 1249.
[18] *Gray v Thames* [2008] EWCA Civ 713.

between infringement and an alleged violation of Article 81(3) of the Treaty[19], which if ultimately proved could give rise to a defence.

Very recently, in *Servier v Apotex*, Arnold J reviewed much of the law on the *ex turpi causa* defence, including *Gray v Thames*. A fundamental question is whether the there was a causal link between the illegal act and the loss claimed by the plaintiff.

There is currently no English case law on whether a refusal to grant a licence on FRAND terms could give rise to an *ex turpi causa* defence to patent infringement. It is however clear that the plaintiff's claim for patent infringement must arise from his unlawful act. There may be a difference between unlawful acts: breaches of contractual undertakings to license may perhaps be analysed differently compared to torts such as anti-trust violations.

Injunctive relief

Under English law an injunction is an equitable remedy and therefore not available to a plaintiff as of right. There is however a presumption that an injunction will issue to prevent future infringement. The principles were stated by Pumfrey J[20] in *Navitaire v Easyjet*[21], a case concerned with claimed copyright infringement. When deciding whether to grant an injunction the judge applied the approach adopted by the Court of Appeal in *Shelfer v City of London Electric Lighting Co*[22]: the court must first consider if there is a case for equitable relief, and if a case is established, consider whether the court should exercise its discretion to either grant or deny injunctive relief.

To establish a case for equitable relief, the patentee must succeed on the issue of infringement, prove an actual or threatened infringement by the defendant, and overcome all equitable defences such as laches, acquiescence and estoppel.

Once a case has been established, the court should consider whether to exercise its discretion. The general principle is that if:

a) the injury to the plaintiff's legal right is small, and

b) is one which is capable of being estimated in money, and

c) is one which can be adequately compensated by a small money payment, and

d) the case is one in which it would be "oppressive" to the defendant to grant an injunction,

then damages in substitution for an injunction may be given. Pumfrey J suggested that "oppressive" could mean that the effect of the grant of the injunction would be grossly disproportionate to the right protected.

In the context of actions for infringement of patents claimed to be essential, it is possible to see that in circumstances where the patent in question is essential to a standard, and there has been a declaration by the claimant that it is willing to grant licences for that patent[23] which it has breached, it may be easier to argue that injunctive relief should not be granted.

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[19] Prohibiting agreements with an anti-competitive object or effect.
[20] As he then was.
[21] [2005] EWHC 0282.
[22] [1895] 1 Ch 287.
[23] see *Site Developments (Ferndown) Limited v Barratt Homes Limited and Others* [2007] EWHC 415 (Ch), and *Banks v EMI Songs* [1996] EMLR 452.

3) Conclusions

The German Supreme Court's attempt in *Orange Book* to set out some general guidelines licensing, while simultaneously requiring a defendant to pay monies but possibly postponing a detailed review of FRAND terms to "subsequent proceedings", makes the FRAND defence in Germany a comparatively complex defence for the defendant. In contrast, a plaintiff in Germany may simply commence patent infringement proceedings, allow invalidity proceedings (if they are started) to continue in parallel and probably more slowly, while putting the defendant very quickly in a position where he has to choose whether to rely on *Orange Book*.

The suggestion from the Dutch court is that a defendant should seek a compulsory licence on its own initiative, unless of course there is a mechanism for finalising a licence.

Europe remains a patchwork quilt of jurisdictions. Pending the introduction of a new European patent litigation system[24], it will be necessary for both defendants and plaintiffs to continue to consider factors relevant to each country. Litigation involving FRAND issues will therefore continue to be driven by largely strategic considerations.

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[24] Which did not seem imminent at the time of writing of this paper.