

## THE HIGH COURT

[2016 No. 5102P]

BETWEEN:

VODAFONE GMBH

PLAINTIFF

– and –

IV INTERNATIONAL LICENSING AND INTELLECTUAL VENTURES II LLC

DEFENDANTS

JUDGMENT of Mr Justice Max Barrett delivered on 10th March, 2017.

## A. BACKGROUND

## I. Technical Background

1. Vodafone GmbH, a company incorporated in Germany, is part of the well-known Vodafone telecommunications group. It is engaged in the provision of communications services, including DSL broadband services.

2. IVIL is a private limited company incorporated in Ireland. It is engaged in the business of patent licensing. IV II is a limited liability company incorporated in the US State of Delaware and is the registered owner of, *inter alia*, the German designations of various patents.

3. To allow patents owned by IV II to be licensed to other entities, IV II has granted IVIL a sub-licence, thereby vesting it with the non-exclusive right to grant non-exclusive licences in respect of such patents.[1]

[1] There has been some suggestion in the submissions made as part of the within application that there is an agency relationship between IV II and IVIL. This is not borne out by the evidence. So, for example, Ms M Finocchio, the Chief Counsel of Litigation for Intellectual Ventures Management LLC (the entity that manages the parent entity to IV II) avers in her second affidavit that "To allow patents owned by [IV II]...to be licensed to other entities...[IV II]...grants IVIL a sublicense...vesting it with the non-exclusive right to grant non-exclusive licenses with respect to such patents." There is no mention in this of any agency arrangement arising. As will be seen hereafter, the offer-letter of 25th March, 2016, commences "On behalf of [IVIL]...I am writing to extend a formal ITU xDSL (F)RAND offer to Vodafone Group Services Limited (VGSL) and Vodafone GmbH...". Again, there is no mention of IVIL acting as agent of IV II. And in the proposed patent licence agreement appended by IVIL to its offer-letter, IVIL as 'Licensor' represents and warrants in the proposed cl. 8.3, *inter alia*, that "Licensor has full power and authority to grant the rights hereunder and to perform its obligations hereunder, such rights including any and all necessary rights held by...IV II", and also that "No other permissions or licenses are or at any time will be necessary to effectuate the licenses or covenants granted in this Agreement to any Licensed Patents". So again there is no suggestion that IVIL cannot act without the say-so of IV II as principal. Thus, on IV's own evidence, IVIL has its own separate standing as a legal person and as sub-licensee, and is not in an agent of IV II.

4. In the affidavit grounding the ex parte application to serve notice of the plenary summons in the within proceedings on IV II, an affidavit sworn by Ms J Paschen, the Head of Legal in Vodafone GmbH, it was asserted that the IV family of companies (generally referred to hereafter as 'IV') is an entity "well known for its significant patent portfolio acquisitions and attempts to extract licensing fees from other companies, including via litigation". IV views itself rather differently. Thus Ms Finocchio avers in her grounding affidavit that the IV "family of companies" is "deeply involved in the business of invention by creating and filing patent applications covering their own inventions...collaborating with other entities to develop and patent inventions...[and] purchasing important inventions embodied in patent rights from individual inventors and institutions and then licensing the patent rights to those who use them...[thereby allowing] inventors to reap a financial reward from their innovations...which is frequently difficult for individual inventors to do". Thus far IV has amassed some 70,000 patent assets and earned close on €3bn in licensing income. So IV, though not perhaps as well-known to the general public as the Vodafone group of companies, comprises a substantial enterprise engaged in a legitimate and successful line of business.

5. In the within proceedings ('the Irish Proceedings') Vodafone GmbH seeks, *inter alia*, the following reliefs:

- (1) a declaration that an offer made by IVIL in a letter of 25th March, 2016, for use in Germany of certain patents referred to therein, was not an offer on fair and reasonable and non-discriminatory ('FRAND') terms;
- (2) a declaration that the process followed in relation to and arising out of the said offer amounts to an abuse of dominant position contrary to Art. 102 of the Treaty on the Functioning of the European Union ('TFEU');
- (3) a declaration that the terms and conditions of the offer aforesaid were not FRAND and amount to an abuse of dominant position contrary to Art. 102 TFEU;
- (4) a declaration that the terms and conditions of a counter-offer made by Vodafone GmbH to the defendants by letter to IVIL on 9th June, 2016, ('Vodafone's Counter-Offer') were FRAND;
- (5) further, or in the alternative, insofar as neither the offer nor counter-offer aforesaid were FRAND, a declaration as to the terms and conditions between the parameters of those offers upon which the licensing of the patents in issue for use in Germany would be FRAND;
- (6) further, or in the alternative, a declaration that the licensing of the patents aforesaid to Vodafone GmbH on a revenue-based royalty basis could never be FRAND.

6. Vodafone GmbH maintains, *inter alia*, that Ireland is the proper jurisdiction in which to commence the within proceedings against IVIL, given that IVIL is an Irish company which has its registered office in Dublin and is engaged in the business of patent licensing from Dublin. By contrast, IV does not consider that the commencement and continuation of the within proceedings in Ireland at this time is appropriate. IV is concerned that the proceedings have been commenced for the purpose of frustrating or delaying the ongoing infringement litigation in Germany ('the German Proceedings'), which litigation is being managed on the IV side by US-based employees

of the IV family of companies interacting with German counsel and so, Ms Finocchio avers, with “no legal management of the litigation or the FRAND offer from Ireland”. She acknowledges that the FRAND offer was ultimately communicated to Vodafone GmbH through IVIL (being the licensing arm of the IV family) but avers, somewhat unconvincingly, that “this is not evidence of leadership, but rather the preference for using pre-existing communication channels”. IV maintains that the matters at issue in the Irish Proceedings are already being addressed in Germany. IV denies that there has been any abuse of a dominant position by it in making the offer that it did; indeed it suggests that such a contention is entirely untenable. Thus counsel for IV asserted during the hearing of the within application that “[I]f a court were ultimately to take that view [i.e. that an offer could be an abuse of dominant position] it would make it almost impossible to license. Because in the first offer that you put, if...a court said you got the wrong rate, that [it] was a bit too high, then you’ve committed an abuse of a dominant position. So the patentee with all of its rights, protected by all of the directives in Europe...would be in the unique position that if it got its offer wrong it’s committed an abuse. If the licensee or proposed licensee puts in too low an offer it’s done nothing wrong. So it’s a game of some form of Russian roulette. The patentee with all the rights gets one shot and if that shot is wrong it has committed an abuse of a dominant position and the proposed licensee can have as many shots as it wants.” That, of course, is but one point of view; Vodafone GmbH holds an alternative point of view and it is not for this Court to adjudicate at this point in time as to which view is to be preferred.

7. By notice of motion dated 15th September, 2016, each of IV International Licensing (‘IVIL’) and Intellectual Ventures II (‘IV II’) seek, *inter alia*, the following reliefs:

(1) an order pursuant to Art. 29(3) of the recast Brussels I Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (O.J. 20.12.2012, L351/1)) (the ‘Recast Brussels Regulation’) declining jurisdiction in the within proceedings in favour of the courts of Germany, together with, if necessary, a stay on the within proceedings pursuant to Art. 29(1) of same;

(2) an order pursuant to Art. 30(2) of the Recast Brussels Regulation declining jurisdiction in the within proceedings in favour of the courts of Germany;

(3) in the alternative, a stay on the within proceedings pursuant to Art. 30(1) of the Recast Brussels Regulation;

(4) an order pursuant to the inherent jurisdiction of the court declining jurisdiction in the within proceedings, including by reason of any of (a) non-compliance with O.11 of the Rules of the Superior Courts 1986, as amended, (b) Ireland being forum non conveniens, (c) wrongful non-disclosure at the ex parte stage of the within proceedings, and (d) such further or other reason as seems appropriate to the court; and

(5) an order setting aside the ex parte grant of leave on 9th June, 2016, to Vodafone to serve the within proceedings outside Ireland on IV II; and

(6) in the alternative, an order on any of the foregoing bases, declining jurisdiction over such part/s of the within proceedings as to the court seems/seem fit.

8. It is the motion of 15th September last with which the court is concerned at this time.

9. In passing, the court notes that it has been provided with an abundance of, often overlapping, evidence in the within proceedings. All of that evidence has been considered and the court proceeds hereafter to examine what it considers to be the most pertinent aspects of that evidence when it comes to adjudicating upon the motion now under consideration.

## **II. The Offer Letter and Counter-Offer**

(i) The Offer Letter.

10. IVIL’s offer-letter of 25th March, 2016, states, *inter alia*, as follows:

*“5. Under the terms of the [proposed Patent Licence] Agreement, Licensor is willing to grant a license to any of the European patents owned by Intellectual Ventures I LLC and Intellectual Ventures II LLC which have been declared by the original assignee, or deemed by Intellectual Ventures, as Essential to one or more xDSL Standards, as defined in the enclosed Agreement and listed in Exhibit A.*

*6. There are 16 EP patents listed in Exhibit A, with 85 European national counterparts. Vodafone has the option to limit the licensed territory to any EU or EEC country in which Vodafone manufactures, offers, uses, imports or sells any Licensed Offerings covered by the xDSL standards, including just limiting it to Germany. Furthermore, Licensor is willing to grant a license to any subset of the patents listed in Exhibit A.*

*7. Section 5 of the Agreement presents the Payments and the Royalty Rate. The Royalty Rate has been calculated based on the value that your currently unlicensed technology brings to a DSL network and its customers. As Vodafone is a provider of telecommunication services to subscribers, we have applied the Royalty Rate to your Total Subscriber Revenue generated by providing network access under the xDSL standards covered by the Licensed Patents, within the Territory. Pursuant to the Agreement, the Royalty Rate is 0.25% of relevant subscriber revenues.*

*8. To derive a FRAND Royalty Rate, we have conducted extensive research for publicly available data including in the following areas: royalty rates in the areas of DSL technology, DSL Consumer Premises Equipment (CPE) sale prices, average lifespan of a CPE, and average monthly DSL subscriber payment in Western Europe. The infringement in this case relates to the provision of DSL services by you over telecommunications networks. As a DSL network provider and operator, you are receiving revenues from your acts of infringement through subscriber revenues. Accordingly, we are presenting our FRAND offer in terms of subscriber revenue. The royalty rate offer by us is supported, in part, by a comparison to publicly available royalty rates for DSL equipment licenses and the corresponding range of royalty rates based on subscriber revenues. IV does not contend that the support offered herein is the sole support for our offer of the patents, or any subset thereof, and IV reserves the right to present additional support in connection with any judicial review or amend its position in light of facts presented by you.”*

11. The letter then proceeds to identify how subscriber revenue has been calculated, before proceeding, finally, to request a counter-offer by 29th April, 2016, or an indication by that date if a licence of some lesser number of patents than is comprised in the proposed portfolio is to be sought. The proposed patent licence agreement is appended to the letter and a number of clauses in that

proposed agreement are worth mentioning at this juncture. Thus the proposed cl. 8 provides that the agreement "shall be interpreted and construed in accordance with and governed by the laws of Germany...[and] subject to the jurisdiction of the Düsseldorf Regional Court, Germany". Meanwhile the proposed cl. 5 ("Payments") states, *inter alia*, as follows:

*"5.1 License Fees and Payment. In consideration of the Licensed Patents, Licensee will pay the royalties defined below to Licensor in the amounts, time periods, and conditions prescribed below.*

#### *5.2. Royalties*

*(a) Licensor shall exercise its reasonable discretion in establishing the Royalty Rate in accordance with Sec. 315 (1) of the German Civil Code (BGB). This Royalty Rate as set by Licensor must be reasonable and non-discriminatory. In accordance with Sec. 315(3) BGB, Licensee has the right to have a German Civil Court review whether the Royalty Rate established by Licensor is equitable. If the Licensee considers the Royalty Rate as established by Licensor to be inequitable, the Licensee may petition the German Civil Court to judicially establish the Royalty Rate.*

*(b) Pursuant to paragraph 5.2(a) of this Agreement, Licensor herewith establishes the Royalty Rate as follows: 0.25% Irrespective of the number of Licensed Patents used by the Equipment and Methods."*

12. Notable about the foregoing is that the very terms of the offer invoke s.315 of the German Civil Code, a matter that the German courts would likely find of some relevance in deciding whether the offer is FRAND, and allow the licensee to pray in aid the German courts in the event that it considers the offer not to be FRAND.

#### (ii) The Counter-Offer.

13. Vodafone GmbH takes considerable objection to the nature of the offer that was made by IVIL. The patented technology, it maintains, relates to parts of certain Vodafone devices which Vodafone obtains from third parties and uses on its network to provide its various services to its subscribers. This being so, Vodafone GmbH maintains that the relevant royalty rate ought to be calculated by reference to the additional value which the patented technology contributes to the value of the said devices and not a percentage of Vodafone GmbH's entire subscriber revenue. Consistent with these concerns, by letter of 9th June, 2016, Hogan Lovells (Düsseldorf) wrote to Dr Müller-Stoy, a German-qualified lawyer who is a partner in Bardehle Pagenberg Law Firm in Munich and IV II's lead counsel in Europe, concerning the offer-letter and making a counter-offer. The court turns to the text of this letter below. However, it cannot but note in passing that neither in this letter nor in any previous correspondence that arose between the parties following the issuance of the offer-letter was there any suggestion by Vodafone GmbH that the s. 315 process contemplated in cl. 5.2(a) of the proposed patent licence agreement was something that could not be done as a matter of German law. That is a matter which was raised subsequently.

14. The below-quoted portions of the cover letter and of the counter-offer comprised in the accompanying proposed patent licence agreement are of interest:

*"As noted in our letter of 23 May, Vodafone does not accept that the offer that your client has made for a licence of its xDSL patent portfolio (the 'Portfolio') is FRAND. Vodafone has prepared a FRAND counter-offer that can be seen in the enclosed agreement. Vodafone has signed this proposed agreement, and invites your client to do likewise. Vodafone hopes that the counter-offer will be accepted by your client, but in the event that it is not, Vodafone has put in place a security guarantee. The guarantee will be provided separately by the end of the week.*

*Vodafone will accept the option offered by IVIL...to limit the licensed territory to Germany at this stage. For the avoidance of doubt, Vodafone seeks a licence of the German designations of all of the patents listed in Exhibit A of IVIL's Agreement. As previously discussed, Vodafone is willing to license the entire Portfolio on FRAND terms, including in all the territories in which the Portfolio is in force. In this regard, Vodafone looks forward to receiving an offer for the other jurisdictions in which it has DSL networks, and it anticipates that such offer will take account of the more limited patent coverage that IV has in those jurisdictions.*

*As stated in our letter dated 23 May, Vodafone has become aware that some of its DSL equipment incorporates products that may already be licensed. Therefore, the subscriber revenue based royalty that IVIL has proposed may not be FRAND for at least the reason that some of the equipment on Vodafone's DSL network may already benefit from a licence to the Portfolio. Vodafone has instead proposed a royalty rate on a 'per unlicensed product' basis, which allows this concern to be addressed. The ultimate amount due to IVIL (or IV II) will naturally be affected by the identity of the products in Vodafone's range that are already licensed, and IVIL's cooperation is needed to identify which products are licensed."*

15. The proposed patent licence agreement appended to the counter-offer letter is to be executed between IVIL, IV II and Vodafone GmbH and provides, *inter alia*, at cl. 5.2, under the sub-heading "Royalties" that "Either Party may bring proceedings in the High Court of Ireland...seeking a declaration as to what are FRAND Royalty Rates for the license granted in clause 2.1(a)", a provision that is perhaps unsurprising given the subsequent commencement by Vodafone GmbH of the within proceedings, and the provision at cl. 8.2 that "This Agreement, and the rights and obligations of the parties to this Agreement and any and all disputes with respect to this Agreement's subject-matter...shall be interpreted and construed with and governed by the laws of the Republic of Ireland....[and] any disputes arising under or relating to this Agreement shall be subject to the jurisdiction of the courts of the Republic of Ireland."

16. The counter-offer has been rejected by IV, and in the terms of the offer and in the rejection of the counter offer, Vodafone GmbH claims that there has been an abuse of a dominant position.

### **III. The Decision in Huawei**

17. So much that is at issue in the within proceedings flows from or is concerned with the decision of the Court of Justice of the European Union (CJEU) in *Huawei Technologies Co. Ltd v. ZTE Corp. and ZTE Deutschland GmbH*, (Case C-170/13), indeed the within judgment has already of necessity touched upon some of the points arising from that decision, that it is useful, even at this early juncture to consider that case in more detail, if only to frame the analysis that follows.

18. Huawei Technologies, a multinational company active in the telecommunications sector, was the proprietor of, *inter alia*, a European patent bearing the title 'Method and apparatus of establishing a synchronisation signal in a communication system', granted by Germany as a contracting state of the European Patent Convention. That patent was notified to the European Telecommunications Standards Institute[1] on 4th March, 2009, by Huawei as a patent essential to the 'Long Term Evolution Standard'. At the same time,

Huawei undertook to grant licences to third parties on FRAND terms. The referring court stated in the order for reference that the patent aforesaid was essential to the Long Term Evolution Standard, i.e. anyone using the Long Term Evolution Standard had to use the teaching of that patent.

[1] The European Telecommunications Standards Institute ('ETSI') is a body the objective of which is to create standards that 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. To that end the ETSI Rules of Procedure provide, *inter alia*, that: owners of intellectual-property rights should be adequately and fairly rewarded for the use of their intellectual-property rights; each ETSI member is required to use reasonable endeavours, in particular during the development of a standard in the establishment of which it participates, to inform ETSI in a timely manner of such of that member's IP rights as are essential to that standard; when an intellectual-property right essential to a standard is brought to the attention of ETSI, the Institute's Director-General must immediately request the owner of that right to give, within three months, an irrevocable undertaking that it is prepared to grant licences on fair, reasonable and non-discriminatory ('FRAND') terms in relation to that right; for so long as such an undertaking has not been given, ETSI is to assess whether work on the relevant parts of the standard should be suspended; if the owner of the intellectual-property rights refuses to give the undertaking aforesaid, ETSI must seek an alternative technology and, if no alternative technology exists, stop work on the adoption of the standard in question; any violation of the provisions of that annex by a member of ETSI is deemed to be a breach of that member's obligations to ETSI; an intellectual-property right is regarded as essential where, in particular, it is not possible on technical grounds to make equipment which complies with the standard without infringing the intellectual-property right. Notably, however, ETSI does not check whether the intellectual-property right, the use of which an ETSI member has brought to its attention as necessary is in fact valid or essential. Nor do the ETSI Rules of Procedure define what constitutes a licence on FRAND terms.

19. Between November 2010 and end-March 2011, Huawei and ZTE Corp., a company belonging to a multinational group active in the telecommunications sector and which markets, in Germany, products equipped with software linked to the Long Term Evolution Standard, engaged in discussions concerning, *inter alia*, the infringement of Huawei's patent and the possibility of concluding a licence on FRAND terms in relation to those products. Huawei indicated the amount which it considered to be a reasonable royalty. For its part, ZTE sought a cross-licensing agreement. However, no offer relating to a licensing agreement was finalised. Nonetheless, ZTE continued to market products operating on the basis of the Long Term Evolution standard, and so using the patent aforesaid without paying a royalty to Huawei or exhaustively rendering an account to Huawei in respect of past acts of use.

20. On 28th April, 2011, relying upon Art. 64 of the European Patent Convention and para. 139, et seq. of the German Law on Patents, Huawei brought a patent infringement action against ZTE seeking an injunction prohibiting the infringement, the rendering of accounts, the recall of products and an award of damages. The referring court considered that the substantive decision in the main proceedings turned on whether the action brought by Huawei constituted an abuse of Huawei's dominant position, observing that it might be possible to rely on the mandatory nature of the licence-grant to dismiss the action for injunctive relief if, by its action, Huawei was to be regarded as abusing its dominant position. (The existence of that dominant position was not in dispute).

21. The referring court considered that a number of different approaches could be taken in order to determine the point at which the proprietor of a standard essential patent ('SEP'), by virtue of its bringing an action for a prohibitory injunction, infringes Art. 102 TFEU. In this regard, the referring court noted that, on the basis of, *inter alia*, Art. 102 TFEU, the *Bundesgerichtshof* (the German Federal Court of Justice or 'BGH') held, in its judgment of 6th May, 2009 in *Orange Book* (KZR 39/06) that, where the proprietor of a patent seeks a prohibitory injunction against a defendant which has a claim to a licence for that patent, the proprietor of the patent abuses its dominant position only in certain circumstances:

- first, where the defendant has made the applicant an unconditional offer to conclude a licensing agreement not limited exclusively to 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 in circumstances where its refusal would unfairly impede the defendant or infringe the principle of non-discrimination);

- second, where the defendant uses the teachings of the patent before the applicant accepts such an offer, it must comply with the obligations that will be incumbent on it, for use of the patent, under the future licensing agreement, namely to account for acts of use and to pay the sums resulting therefrom.

22. In light of the fact that (a) ZTE's offers to conclude an agreement could not be regarded as unconditional and (b) ZTE did not pay Huawei the amount of the royalty that it had itself calculated or (c) provide to Huawei an exhaustive account of past acts of use, the referring court considered that this ought to preclude ZTE from being able validly to rely on the compulsory nature of the grant of the licence and, accordingly, ought to uphold Huawei's action for a prohibitory injunction. The referring court noted, however, that, in patent-infringement proceedings brought by Samsung in the field of mobile telephony, the European Commission appeared to regard the bringing of an action for a prohibitory injunction as unlawful, under Art. 102 TFEU, where: that action relates to a SEP; the proprietor of that SEP has indicated to a standardisation body that it is prepared to grant licences on FRAND terms; and the infringer is itself willing to negotiate such a licence. Accordingly, the referring court suggested that it might be irrelevant that the parties in question could not agree on the content of certain clauses in the licensing agreement or, in particular, on the amount of the royalty to be paid. Moreover, the referring court observed that if it was to apply what might be styled the Samsung criteria, then it ought to dismiss Huawei's action for injunctive relief as constituting an abuse within the meaning of Art. 102 TFEU (it being common ground that the parties in Huawei were willing to negotiate). However, the referring court was of the view that: (i) the fact that ZTE was willing to negotiate and Huawei was prepared to grant licences to third parties ought not to be sufficient to yield an abuse of a dominant position; (ii) in assessing whether the conduct of a SEP-proprietor is abusive, an appropriate and fair balance has to be struck in relation to all the legitimate interests of the parties; (iii) the positions of a SEP proprietor and an infringer ought not to make it possible for one side to obtain excessively high royalties or excessively low royalties (respectively a 'hold-up' situation and a 'reverse hold-up' situation, respectively); and (iv) having regard to (iii) and the need for equality of treatment between the beneficiaries of licences for, and infringers in relation to, a given product, a SEP proprietor ought to be able to bring an action for a prohibitory injunction.

23. Assuming that the exercise of a statutory right cannot, in itself, constitute an abuse of a dominant position, the referring court considered that it was not satisfactory to adopt, as a criterion of such abuse, the notion of an infringer's 'willingness to negotiate', since this, *inter alia*, could provide the infringer with too wide a freedom of action. In any event, it appeared to the referring court that if such a notion was to be considered relevant, certain qualitative and time requirements would have to be imposed in order to ensure that the applicant for the licence was acting in good faith. Accordingly, a properly formulated, acceptable, 'unconditional' request for a licence, containing all the provisions normally found in a licensing agreement, ought, the referring court considered, to be required to be submitted before the patent concerned was used. As regards, in particular, requests for a licence from operators

that had already placed products using a SEP on the market, those operators, the referring court considered, ought immediately to comply with the obligations to render an account of use of that SEP and to pay the corresponding royalty. In addition, the referring court considered that an infringer ought, initially, to be able to provide security instead of paying the royalty directly to the proprietor of the SEP in question. It considered too that the possibility of a licence applicant leaving the determination of a fair royalty amount to the proprietor must also be envisaged.

24. In the circumstances presenting, the referring court decided to stay the proceedings before it and to refer the following questions to the Court of Justice for a preliminary ruling:

(1) (a) does the proprietor of a SEP 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 (b) is an abuse of the dominant market position to be presumed only where the infringer has submitted to the proprietor of the SEP 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 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 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 SEP 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 dominant position by a SEP proprietor 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?

25. Before commencing on its consideration of the points referred to it for preliminary ruling, the CJEU noted, *inter alia*, that in approaching the issues raised: it considered itself obliged to strike a balance between, on the one hand, maintaining free competition (in respect of which, *inter alia*, Article 102 TFEU prohibits abuse of dominant position) and, on the other hand, the requirement to safeguard a proprietor's IP rights and also its right to effective judicial protection, as guaranteed respectively by Arts. 17(2) and 47 of the EU Charter of Fundamental Rights;<sup>[1]</sup> the existence of a dominant position was not contested by the parties to the dispute, so the questions posed by the referring court related only to the existence of an abuse (consequent upon the existence of that dominant position), and the CJEU's analysis was therefore confined to the existence of abuse.

[1] Article 17(2) of the EU Charter provides simply that "Intellectual property shall be protected". Article 47 provides, *inter alia*, that "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".

26. In its judgment, the CJEU concluded that:

(1) Art. 102 TFEU must be interpreted as meaning that the proprietor of a patent essential to a standard established by a standardisation body, which has given an irrevocable undertaking to that body to grant a licence to third parties on FRAND terms, does not abuse its dominant position, within the meaning of Art. 102 TFEU, by bringing an action for infringement seeking an injunction prohibiting the infringement of its patent or seeking the recall of products for the manufacture of which that patent has been used, provided that: (i) prior to bringing that action, the proprietor has, first, alerted the alleged infringer of the alleged infringement by designating that patent and specifying the way in which it has been infringed; and (ii) (a) after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, (b) presented to that infringer a specific, written offer for a licence on such terms, specifying, in particular, the royalty and the way in which it is to be calculated; and (iii) where the alleged infringer continues to use the patent in question, the alleged infringer has not diligently responded to that offer, in accordance with recognised commercial practices in the field and in good faith, this being a matter which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics;

(2) Art. 102 TFEU must be interpreted as not prohibiting, in circumstances such as those that pertained in the main proceedings, an undertaking in a dominant position and holding a patent essential to a standard established by a standardisation body, which has given an undertaking to the standardisation body to grant licences for that patent on FRAND terms, from bringing an action for infringement against the alleged infringer of its patent and seeking the rendering of accounts in relation to past acts of use of that patent or an award of damages in respect of those acts of use.

27. In reasoning through to the above-stated conclusions, the CJEU made, *inter alia*, the following observations:

(1) the concept of abuse of dominant position within the meaning of Article 102 TFEU is an objective concept relating to the conduct of a dominant undertaking which, (a) on a market where the degree of competition is already weakened because of the presence of the undertaking concerned, and (b) through recourse to methods different from those governing normal competition in products or services, has the effect of hindering the maintenance of the degree of competition still existing in the market or the growth of that competition;

(2) it is settled case-law that the exercise of an exclusive right linked to an intellectual property right forms part of the rights of the proprietor of such right, with the result that the exercise of such right, even if it is the act of an undertaking

holding a dominant position, cannot per se constitute an abuse of a dominant position;

(3) it is settled case-law that the exercise of an exclusive right linked to an intellectual property right by the proprietor of same may, in exceptional circumstances, involve abusive conduct for the purposes of Art. 102 TFEU;

(4) although the proprietor of an essential patent has the right to bring an action for a prohibitory injunction or for the recall of products, the fact that that patent has obtained SEP status means its proprietor can prevent products manufactured by competitors from appearing/remaining on the market, and thereby, reserve to itself the manufacture of the products in question;

(5) in those circumstances, and having regard to the fact that an undertaking to grant licences on FRAND terms creates legitimate expectations on the part of third parties that the SEP proprietor will grant licences on such terms, a refusal by the SEP proprietor to grant a licence on those terms may, in principle, constitute an abuse within the meaning of Art. 102 TFEU;

(6) it follows that, having regard to the legitimate expectations created, the abusive nature of such a refusal may, in principle, be raised in defence to actions for a prohibitory injunction or for the recall of products. However, under Art. 102 TFEU, the proprietor of the patent is obliged only to grant a licence on FRAND terms;

(7) to prevent an action for a prohibitory injunction or the recall of products from being regarded as abusive, a SEP proprietor must comply with conditions which seek to ensure a fair balance between the interests concerned;

(8) the need for a high level of protection for IP rights means that, in principle, the proprietor of same may not be deprived of the right to have recourse to legal proceedings to ensure effective enforcement of its exclusive rights, and that, in principle, the user of those rights, if not the proprietor, is required to obtain a licence prior to any use;

(9) although the irrevocable undertaking to grant licences on FRAND terms given to a standardisation body by a SEP proprietor of a SEP cannot negate the substance of the rights guaranteed to that proprietor by Arts. 17(2) and 47 of the EU Charter, it nonetheless justifies the imposition on that proprietor of an obligation to comply with specific requirements when bringing actions against alleged infringers for a prohibitory injunction or the recall of products;

(10) a SEP proprietor which considers a SEP to be the subject of infringement cannot, without infringing Art. 102 TFEU, bring an action for a prohibitory injunction or the recall of products against the alleged infringer without notice or prior consultation with the alleged infringer, even if the SEP has already been used by the alleged infringer;

(11) prior to such proceedings, it is for the SEP proprietor (i) to alert the alleged infringer of the alleged infringement by designating the SEP and specifying the way in which it has been infringed, and (ii) (a) after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, (b) (I) to present to that alleged infringer a specific, written offer for a licence on FRAND terms, (II) in accordance with the undertaking given to the standardisation body, (III) specifying, in particular, the amount of the royalty and the way in which it is to be calculated;

(12) where a SEP proprietor has given an undertaking to a standardisation body to grant licences on FRAND terms, it can be expected that it will make such an offer; it is for the alleged infringer diligently to respond to that offer, in accordance with recognised commercial practices in the field and in good faith;

(13) should the alleged infringer not accept the offer made, it may rely on the abusive nature of an action for a prohibitory injunction or the recall of products only if it has submitted to the SEP proprietor, promptly and in writing, a specific counter-offer that corresponds to FRAND terms;

(14) where the alleged infringer is using the teachings of the SEP before a licensing agreement has been concluded, it is for that alleged infringer, from the point at which its counter-offer is rejected, to provide appropriate security, in accordance with recognised commercial practices in the field, with the calculation of that security to include, *inter alia*, the number of past acts of use of the SEP; the alleged infringer must also be able to render an account in respect of those acts of use;

(15) where no agreement is reached on the details of FRAND terms following the counter-offer by the alleged infringer, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party, by decision without delay;

(16) having regard to (i) the fact that a standardisation body such as ETSI does not check whether patents are valid or essential to the standard in which they are included during the standardisation procedure, and (ii) the right to effective judicial protection guaranteed by Art. 47 of the EU Charter, an alleged infringer cannot be criticised either for challenging, in parallel to the negotiations relating to the grant of licences, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future; and

(17) the exercise by a SEP proprietor of its intellectual property rights, by bringing actions for a prohibitory injunction or the recall of products, may be characterised, in circumstances such as those pertaining in *Huawei*, as an abuse, where those proceedings are liable to prevent products that comply with the standard in question and which are manufactured by competitors, from appearing or remaining on the market.

28. Flowing from the above, there are perhaps two points worth noting, even at this early juncture:

– first, *Huawei* is not authority for the proposition that patent infringement can be addressed in one jurisdiction and associated licence terms can be fixed in another jurisdiction. (Nor indeed is it authority for the opposite). It is merely authority for the proposition (in the context of injunction proceedings, but leaving that aside for one moment) that a party can challenge patent infringement and dispute patent validity on the one hand and simultaneously conduct negotiations to settle FRAND on the other. That may seem a straightforward proposition but it was important that it be established by the CJEU because otherwise it could be asserted by a dominant undertaking that ‘You have not accepted infringement, you have not accepted validity, so you can hardly complain that we have not agreed a licence; and given that there is no licence we will now sue you for general damages unconstrained by such licence’. In *Huawei*, the CJEU has addressed that problem in the manner just identified but it has gone no further and done no more

than that.

– second, neither *Huawei* nor any judgment of the Court of Justice, as a matter of first principle, interferes with the procedural law of a member state. Thus *Huawei* respects the procedural law of, *inter alia*, Ireland, and does not speak to it. So to the extent that Vodafone GmbH seeks, and IV maintains that it does seek, to involve the courts of Ireland in a hypothetical exercise in deciding on the reliefs sought in the within proceedings on the basis of issues on which Vodafone seeks to reserve its position, that would be asking the court to do the un-doable as a matter of Irish law (give judgment on a hypothetical issue) and *Huawei* does not require the court to depart from the long-standing practice of the Irish courts not to give judgments *in abstracto*.

29. When it comes to the second of the just-mentioned points, it is perhaps worth exploring the rationale of the Irish courts for not giving judgments *in abstracto* just a little further, and to consider whether this dimension of matters presents as a genuine concern at all. In this regard the judgment of McKechnie J. in the Supreme Court case of *Lofinmakin v. The Minister for Justice, Equality and Law Reform* [2013] 4 I.R. 274 is of interest. In that case, the third and fourth applicants (both Nigerian nationals), were the parents of the first and second applicants (both Irish citizens). The Minister made a deportation order against the third applicant and the applicants brought judicial review proceedings seeking, *inter alia*, an order of certiorari quashing the deportation order, primarily on the ground that the common law constraints on judicial review were such that this remedy did not constitute an effective remedy for the purposes of Art. 13 of the European Convention on Human Rights.[1]

[1] Article 13 ECHR ("Right to an Effective Remedy") provides that "Everyone whose rights and freedoms as set forth in this Convention are violated shall have an effective remedy before a national authority notwithstanding that the violation has been committed by persons acting in an official capacity."

30. The High Court (Cooke J.) refused leave to seek judicial review. Meanwhile, the CJEU delivered judgment in *Zambrano v. Office national de l'emploi* (Case C-34/09), in which the rights of citizen children of the European Union were held to derive from Article 20 of the Treaty on European Union. Cooke J. subsequently granted a certificate for leave to appeal to the Supreme Court on two certified questions against the refusal of leave. Thereafter, the Minister revoked the deportation order against the third applicant. The Minister argued that the appeal was moot; in reply, the applicants contended that the appeal was not moot, that the certified questions should still be answered and that the outstanding issue of costs required the appeal to be heard so that it could be determined.

31. It was held by the Supreme Court, *inter alia*, in dismissing the appeal that, as a general rule, where the issues in proceedings are moot, the Supreme Court (and thus all courts, in emulation of Supreme Court practice in this regard) will not proceed to hearing. In his judgment, McKechnie J., under the heading "*Decision regarding mootness*" said as follows, at paras. 59–60 and 63–64:

"[59] *The rule by which a court will decline to hear and determine an issue on the grounds of mootness is firmly based on the deep rooted policy of not giving advisory opinions, or opinions which are purely abstract or hypothetical. This policy stems from and is directly related to the system of law within which our courts discharge their essential function of administering justice. Apart from any special jurisdiction conferred by statute, by the Constitution, or resulting from our membership of the European Union, the system in question is fully adversarial. Consequently, there must exist some issue(s), embedded within a factual or evidential framework, the determination of which is/are necessary so as to resolve the conflict or dispute which necessitated the proceedings in the first instance. It has therefore always been recognised that, without such a concrete foundation, the courts typically will decline to intervene.*

[60] *In addition to this basic justification for the rule, there are a number of other reasons which support its existence, including what has been described as 'judicial economy', which can also be termed 'judicial efficiency' or 'judicial effectiveness'. In a time of scarce and declining resources on the one hand and of an ever increasing stream of litigation, much of which is lengthy and complex, on the other, the courts must consciously scrutinise and carefully calculate how best they can fulfil their functions. Consequently, where necessity of resolution is not required, the courts quite correctly will be most reluctant to get involved....*

[63] *Mootness, which has its foundation in the common law, but which now has a legislative and even a constitutional basis in a number of jurisdictions...can be described both by reference to the circumstances in which it applies and those circumstances in which it has no application. [Professor Laurence] Tribe [of Harvard Law School] speaks of a case being moot when 'it has completely lost its character as a present, live controversy between the parties' [so by reference, inter alia, to its present status] (Tribe, American Constitutional Law, (3rd ed., New York, 2000)). Borowski v. Canada (Attorney General) [1989] 1 S.C.R. 342 says that a decision should be avoided if it does not result in the resolution of some controversy affecting or potentially affecting [present and future] the rights of the parties. Hardiman J. in Goid v. Collins [2004] IESC 38, (Unreported, Supreme Court, 12th July, 2004), who cited with approval certain passages from both Tribe and Borowski...felt that:-*

"A proceeding may be said to be moot where there is no longer any legal dispute between the parties."

*Therefore as can be seen, where the action has lost its utility by reference to the issues and the parties, the case is classified as moot.*

[64] *The use by Tribe of the phrase 'live controversy' is to be understood as indicating that such controversy must be found within a set of tangible as opposed to imagined facts: it must have a definite setting and not be one based on conjecture."*

32. What is clear from the above-quoted text is that there is a distinction to be drawn between hypotheses as to facts, on the one hand, and mootness on the other. One cannot imagine scenarios for the purpose of getting an issue before the court; that is to proceed on a hypothesis. When it comes to mootness, a matter can be based on real facts and be a live controversy but then become moot because it is otherwise and/or elsewhere resolved. Not expressly stated in the foregoing, but it would seem nonetheless to be so, is that if a court is to refuse to proceed to the substantive hearing of a matter it should not make such refusal lightly: there will likely always be aspects of a claim that are, in a sense, hypothetical until determined by a court to have been established on the evidence; so, for example, one regularly encounters claims in which it is contended that if the court is satisfied on the evidence that X presents, then Y must follow; all that is required is, to echo Professor Tribe, that a claim be constructed "within a set of tangible as opposed to imagined facts...have a definite setting and not be...based on conjecture." There is no sense that the court in the within proceedings is presented with or will be asked to adjudicate upon "imagined facts". What IV truly seeks to contend in this regard, it seems to the court, is that the Irish Proceedings are premature and/or inarguable. Both contentions are returned to by the court later below in its consideration of O.11 of the Rules of the Superior Courts (1986).

33. In passing, and on a note more to do with the sequencing than the substance of proceedings, the court notes that reference was made by counsel for Vodafone GmbH, at the hearing of the within application, to the relatively recent decision of the English High Court (Birss J.) in *Unwired Planet International Limited v. Huawei Technologies Ltd and Ors* [2015] EWHC 1029 (Pat). That case involved a set of patent infringement proceedings in which competition law issues, including alleged abuse of dominant position were raised and yielded a decision to which the court returns later below. At this point, the court would simply note that in that case Birss J. refused to decide on FRAND before infringement. Were the Irish court placed in a similar position to that which confronted Birss J., his decision in *Unwired Planet* would be persuasive (frankly, most persuasive) authority that this Court should not decide FRAND before infringement. Yet in approaching this Court at this time, when the German Court is seised of the infringement proceedings, Vodafone GmbH has, purposely or inadvertently, created a situation in which FRAND might well be decided before infringement. The court must admit to some surprise that Vodafone GmbH would be satisfied, as it seems to be satisfied, that a situation should arise that is precisely contrary to the sequencing resolved upon by the High Court of England and Wales in a case on which Vodafone GmbH would seek, as it does, to place some reliance.[1]

[1] Counsel for IV seemed rather less surprised, urging on the court, in the following terms, a rationale as to why Vodafone GmbH would seek so to act:

*"Birss J., on whom he [counsel for Vodafone GmbH] relied, refused in England to decide FRAND before infringement. This is a new departure. They [Vodafone GmbH] don't go to the German court which is seised and ask the German court to do that. They come to another court. If this matter was before you with infringement in issue and the FRAND rate and they asked you to rely on the Birss judgment, you'd say 'Well, we will only determine FRAND after infringement'. Now this court is being asked to determine it [on the basis that] 'We can't tell you whether there'll be an infringement or validity or essentiality and we'll just have it there and put it in our back pocket and we'll bring it over to Germany at some stage and say 'Ha!... While you were determining this and while you determine infringement first, we've got all these issues determined, and the process you're looking at, [the] Irish court has looked at that and that's fine.' When you look at it in that way, it is unimaginable that a court of another jurisdiction would accept something that it wouldn't allow within its own jurisdiction and completely conflicts with the principles in Lofinmakin."*

#### **IV. The German Proceedings**

##### **(i) Overview.**

34. On 18 September, 2015, IV II commenced patent infringement proceedings (the 'German EP174 Proceedings') before the Düsseldorf Court against Deutsche Telekom AG, Telekom Deutschland AG ('DT'), Telefónica GmbH & Co OHG and Telefónica Deutschland Holding AG ('TEF') on the basis of the German part of EP174. In those proceedings IV II seeks a declaration that the defendants are liable for any damage incurred by, *inter alia*, IV II due to infringement committed by DT and TEF in Germany since end-February 2008. IV II also requests a rendering of accounts on those acts. Chapter A of the complaints summarises the infringement allegations and reads as follows (the original is obviously in German): "The Plaintiff is asserting claims against the Defendants due to direct infringement of claims 1, 2, 4 and 7 of the German part of [EP174] (hereinafter: 'patent-in-suit') by operating DSL lines according to the standards ADSL2+ and VDSL2, and due to indirect infringement of claims 1 and 2, direct infringement of claim 7 by distributing DSL modems that are capable of working according to the mentioned standards."

35. It was claimed by Vodafone at the hearing of the within application that the German Proceedings are to some extent 'backwards-looking', in that their focus is on damages for past acts of infringement. But, with respect, this is not so. IV maintains that no good counter-offer has been made and consequently there is a claim for damages at large. Indeed this last dimension of matters yields a ground on which, for example, the court can distinguish the *Motorola* decision to which the court was referred by counsel for Vodafone GmbH (Commission Decision of 29.04.2014 addressed to Motorola Mobility LLC relating to proceedings under Article 102 of the Treaty on the Functioning of the European Union and Article 54 of the EEA Agreement (C(2014) 2892 final)) as an example of a scenario in which FRAND-setting going forward was deemed a separate matter from, and not to interfere with, any entitlement to seek damages for past infringement).

36. On 5th November, 2015 a first oral hearing took place in the German Proceedings. At the hearing, the respective defendants did not contest the jurisdiction of the Düsseldorf Court but requested that the infringement suits be dismissed.

37. On 26th January, 2016, IV II filed a complaint instituting infringement proceedings against Vodafone GmbH based on EP174. The infringement allegations and the reliefs sought are essentially the same as in the proceedings against DT and TEF, but the relief is sought against Vodafone GmbH in respect of acts committed by it. On 27th January, 2016, IV II filed complaints instituting infringement proceedings (the 'German EP20 proceedings') against DT, TEF, and Vodafone GmbH based on the German designations of EP20. In those proceedings, IV II alleges that the respective defendants infringe the German designation of EP20 by operating ADSL2+-compliant and VDSL2-compliant DSL-connections and the distribution of ADSL2+-compliant and VDSL2-compliant DSL-modems. The reliefs sought are essentially the same as in the German EP174 Proceedings.

38. On 3rd March, 2016, a common oral hearing took place in the German EP174 Proceedings and in the German EP20 Proceedings. At this hearing, the respective defendants did not contest the jurisdiction of the Patent Chamber of the Düsseldorf Court but requested that the infringement suits be dismissed. On 21st July, 2016, and 28th July, 2016, DT, TEF, and Vodafone GmbH, filed their respective statements of defence in the German EP174 Proceedings and in the German EP20 proceedings.

39. In July, 2016, Huawei joined all German proceedings as an intervener on the side of the respective defendants and filed briefs in support of the respective defendants. As an exhibit to those briefs, Huawei filed an order which the Düsseldorf Appeal Court handed down on 15th June, 2016 in appeal proceedings with case no. 1-2 U 32/16. According to Huawei, identical orders were also handed down in a series of parallel appeal proceedings. None of these proceedings are related to the German Proceedings. However, Huawei is of the opinion that the Düsseldorf Court has to apply the legal standard defined in the orders of the Düsseldorf Appeal Court. DT and TEF also refer to the above-mentioned orders in their respective statements of defence and ask the Düsseldorf Court to apply the same legal standard. That order of 15th June, 2016, an order given by Judge Kühnen, as Presiding Judge at the Higher Regional Court of Düsseldorf (and whose learned treatise on German patent law has, as will be seen hereafter, received much mention in the course of the within application) states, *inter alia*, as follows (again the original text is in German):

*"Specifically regarding the FRAND issue – to the extent to which it is necessary to render a decision on this (due to certain specifications in the rendering of accounts) – the following indications are given to the parties for the avoidance of doubt:*

*a) Due to the fact that a FRAND declaration builds trust, any patent use – including one that was carried out without a*



*licence agreement already having been concluded – is merely to be remunerated by royalties. Therefore, as long as the patent user does not prevent a FRAND licence agreement from being concluded by breaches of duties of its own, the claim for damages of the patent proprietor is limited to licence analogy....The patent proprietor will only receive full damages for the time during which it discharged its FRAND licensing obligations under the [CJEU]...rules whereas the user did not discharge its obligations....*

*b) In line with the decisions mentioned below – Higher Regional Court of Düsseldorf, Mitt. 2016, 85 – Kommunikationsvorrichtungen eines Mobilfunksystems; Higher Regional Court of Karlsruhe, order dated May 31, 2016 – 6 U 55/16 – the Senate is of the opinion that it has to be finally determined in the course of the infringement trial whether the licence offer to be made by the patent proprietor (as well as the counter-offer of the patent user) is in line with FRAND terms.*

*c) 'FRAND', in this regard, should most likely be taken to mean – within the meaning of the requirements arising from Art. 102 TFEU – 'discrimination-free' and 'non-exploiting' licensing. The examination standard arising from this, already rather imprecise, is further qualified by the fact that, according to relevant ECJ case law (ZTE vs. Huawei), the determinations in patent infringement trials are to be made with all due expeditiousness.*

*d) With respect to licence remuneration – the centrepiece of any contract proposal – it does not suffice to communicate only the relevant reference value and the licence rate to be applied (including graduation where applicable); the offeror is also under an obligation to make statements regarding the 'manner of their calculation'. This means giving an explanation of those circumstances that demonstrate that the remuneration factors, which according to the contract are to be stated according to reference value and license rate, are non-discriminatory and non-exploiting under the given market conditions (...FRAND) Therefore, the offeror needs to demonstrate in concrete terms why it is of the opinion that the remuneration parameters included in its offer (reference value, licence rate) do not lead to discriminatory or exploiting remuneration for use for the party seeking a licence. In this regard, the following apply:*

*– If licence agreements have already been concluded in the same market or a market that is materially and/or spatially comparable, these agreements need to be submitted. In any case, passages relating to the licence remuneration which the contract in question is supposed to support must not be blackened. This applies even if the licence agreement should contain a confidentiality clause. In some cases orders of protection could be considered, which are to be initiated by the affected party in a timely manner.*

*– If the licence offer affects a portfolio of IP rights and/or a geographical region beyond the patent-in-suit (Federal Republic of Germany), the same requirement for explanation on the part of the offeror applies. This requirement can be met by submitting licence agreements concluded in the past; otherwise, the offeror needs to demonstrate on the basis of material considerations why the portfolio of IP rights created by it (as is) and the geographical extent it envisions in the offer are to be considered non-discriminatory and non-exploiting. This generally requires going into detail regarding every single IP right included in the portfolio (even if only in the form of bullet points).*

*– Mere generalised statements are irrelevant to the proceedings; in other respects, the necessary extent of the reply by the adversary is – as always – contingent upon the extent of the substantiation by the offeror."*

Court Note [i.e. a note by this Court]: A few points arise from the above-quoted text that might conveniently be made at this juncture:

– first, the Higher Regional Court is unequivocally stating that it has to be determined finally in the course of infringement proceedings (such as the German Proceedings) whether the offer and counter-offer made are FRAND-compliant. That is a position consistent with the position advocated/adopted by Judge Kühnen in his learned treatise "A Handbook of Patent Infringement" (8th ed., 2016), it is a position that has been urged on this Court by learned witnesses such as Dr M Lamping (a Senior Research Fellow at the Max Planck Institute for Innovation and Competition and a university lecturer at, *inter alia*, the Ludwig Maximilians University of Munich), and the above represents an example of the Higher Regional Court, a body entirely independent of all the parties to the within proceedings, taking the very position that, *inter alia*, Judge Kühnen and Dr Lamping have separately advanced as correct.

– second, it is clear from the first of the last three indents that the Higher Regional Court does not see any difficulty to present when it comes to looking at agreements that are confidential as between the parties thereto (an aspect of matters to which Ms Paschen points in her affidavit evidence as an advantage, though it appears from the foregoing not to be a true advantage, of bringing the within proceedings in the Irish courts).

– third, Vodafone GmbH has sought to make much of the fact that the within proceedings are focused on a portfolio of patents as opposed to a couple of patents within that portfolio. However, the portfolio of patents was the subject of a single offer and counter-offer and the said offer and counter-offer, it is clear, will be the subject of the German Proceedings.

40. Continuing with the chronological account of the German Proceedings, on 8th September, 2016, IV II filed the licence offer of IVIL dated 25th March, 2016, in the German Proceedings as evidence that: IV II made a licence offer on FRAND terms; and Vodafone GmbH had failed to make a counter-offer on FRAND terms. IV II's reply was required to be filed on 14th October, 2016 (in the German EP174 Proceedings) and 17th October, 2016, (in the German EP20 Proceedings). The rejoinders of DT, TEF and Vodafone GmbH were due to be filed on 20th January, 2017 (in the German EP174 Proceedings) and 6th February, 2017 (in the German EP20 Proceedings). A joint second oral hearing is scheduled to take place in the said proceedings on 27th April 2017, with a final decision expected from the Düsseldorf Court within about 3 months after the second oral hearing.

41. IV II did not inform Vodafone GmbH of the infringement allegations and make a licence offer before filing the infringement suits. Why so? It appears that one reason why IV II approached matters so was the risk that Vodafone GmbH would file what are sometimes referred to as 'torpedo' proceedings in order to hinder the German courts in their deliberations. The character and effect of 'torpedo' proceedings is explained as follows by Judge Kühnen at para. 161 of his learned treatise (the below is translated from the original German):

"Torpedo"

*There is a risk that should always be kept in mind when sending warning letters or a notice for production of legitimacy claim to the infringer in proceedings with an international element. In matters within the scope of [the Recast Brussels Regulation]...it is currently...common practice to file actions for a negative declaratory judgment with the identical parties and the same subject matter in dispute in a member state of the EU in which a very long duration of the proceedings can be expected. This so-called 'torpedo' (also known as [an] 'Italian Torpedo' or 'Belgian Torpedo') can block infringement proceedings in Germany, particularly due to Art. 29 (1) of [the Recast Brussels Regulation]...This is because this provision stipulates that the proceedings at the subsequently seised court are to be stayed ex officio until the competence or lack of competence of the first seised court has been established as final and absolute."*

42. In addressing this so-called 'torpedo risk', Judge Kühnen, at para. 297 of his learned treatise, offers the following practical tip: "With the pre-litigation notice of infringement, the patentee creates the risk of a torpedo by the opposing party. This...can be handled in two ways. Firstly, the action may be filed before the infringement action is filed, but the payment of the advance on costs may be delayed within the limits of admissibility pursuant to Art. 32 of...[the Recast Brussels] Regulation so that the previously prepared licensing offer may have been proposed and possibly negotiated by the date of the oral hearing before the infringement court. Secondly – and this approach is even safer – the action may be limited to the claim for damages and rendering of accounts initially and later (after the necessary formalities under antitrust law have been dealt with) [throughout the translated text with which this Court has kindly been provided the term 'antitrust law' is consistently used to refer to what might more properly be described in the European context as 'competition law'] be extended by the claims for injunctive relief, recall and destruction."

43. Vodafone GmbH has suggested that the German Proceedings are being used as a 'torpedo' in the context of the within proceedings, with the prospect of a consideration of FRAND in that case being used to frustrate the commencement of proceedings elsewhere. It seems to the court that a number of points might be made in this regard:

- first, it is wrong to suggest that the German Proceedings were commenced as a tactical manoeuvre. IV considers that Vodafone is infringing certain German-designated patents and consequently has commenced infringement proceedings in Germany, which along with the United Kingdom is one of the two 'great' jurisdictions for the adjudication of patent law disputes within the European Union at this time.

- second, IV is hardly to blame if the fact that it commenced infringement proceedings in Germany may have consequences as regards a, very much unexpected, set of competition law proceedings commenced in another EU member state (Ireland).

- third, even if the German Proceedings were some sort of tactical manoeuvre (and there is nothing to suggest that this is so; nor does the court consider them to be so) it would seem odd to criticise a patent-holder who is first to court for commencing patent infringement proceedings in a pertinent jurisdiction that happens to be known to deal with such proceedings in an expert and efficient manner.

- fourth, if anything IV might perhaps be forgiven were it to allege, rightly or wrongly, that it is the within proceedings that represent the first-known deployment of an 'Irish torpedo' aimed at frustrating the pre-existing German Proceedings.

(ii) Some Aspects of Vodafone GmbH's Defence in the German Proceedings.

44. In the German Proceedings, Vodafone GmbH argues that EP174 and EP20 do not cover the technical solutions in the ADSL2+ and VDSL2 standards, contending, *inter alia*, as follows (to borrow from a translated version of the relevant German pleadings):

*"The attacked embodiments do not make use of the technical teaching of the patent-in-suit. In particular, neither of the two DSL standards ADSL2+ and VDSL2 realises the teaching of the asserted claims. Therefore, transceivers and systems working according to these standards cannot infringe the patent-in-suit either";*

*and*

*"The Plaintiff bases its argument of infringement on the operation of DSL lines and the distribution of so-called transceivers (on the side of the network operator [there referred to as ATU-C and VTU-O] and on the side of the subscriber [there referred to as ATU-R and VTU-R]) operating according to the ADSL2+ and VDSL2 standards....In this regard, it alternatively bases its arguments on the technique referred to as 'bit swapping' in the course of operation ('on-line reconfiguration') in ADSL2+ and VDSL2...and also on the technique referred to as 'power management states transitions' in ADSL2+....The patent-in-suit is not essential for either of these techniques."*

45. Vodafone GmbH also contends that IV II has a dominant position. Consequently, competition law is said to limit (a) the claim for damages to the amount of a FRAND royalty and (b) the claims for rendering of accounts to information necessary to calculate a FRAND royalty. Thus Vodafone GmbH contends, *inter alia*, that, to borrow again from the relevant German pleadings:

*"The patent-in-suit is...a standard-essential patent, which gives the Plaintiff a market-dominant position, provided that the patent is in fact standard-essential. Moreover, a FRAND commitment was made with respect to the patent-in-suit. Therefore, the claims for information and rendering of accounts as well as the claims for damages asserted by the Plaintiff are subject to limitations under antitrust law that have been disregarded by the Plaintiff."*

46. A few further points of interest arising from Vodafone GmbH's pleadings in the German proceedings might be noted:

- first, Vodafone GmbH contends that standard essentiality follows directly from IV II's complaints, contending, *inter alia*, per the English-language version of the German pleadings with which the court has kindly been provided that:

*"[A]ccording to...[IV II's] submission, it has to be assumed that the patent-in-suit mandatorily has to be used in order to operate the standards ADSL2, ADSL2+ or VDSL2, [and] thus that the patent-in-suit is essential for each of these standards";*

- second, Vodafone GmbH is of the opinion that standard essentiality of patents automatically confers a dominant position on IV II, contending, *inter alia*, again per the German pleadings, that:

*"Assuming standard essentiality, the patent-in-suit confers a dominant market position to [IV II] such that, when enforcing claims from the patent-in-suit, barriers under antitrust law are to be taken into consideration and particularly the scope of application of [inter alia] Art. 102 TFEU....A standard essential patent...gives rise to a*

*presumption of the owner having a dominant market position. Advocate General Wathelet confirmed this in his Opinion concerning Case C-170/13 (European Court of Justice, Huawei v. ZTE)";*

– third, Vodafone GmbH is of the opinion that competition law obliges IV II to grant a FRAND licence, irrespective of whether a FRAND declaration has been made for the asserted patents, contending, *inter alia*, as follows (per the German pleadings):

*"[E]ven without a FRAND commitment or without being bound to such a commitment under civil law, the Plaintiff as the proprietor of an (allegedly) standard-essential patent would already be obliged to grant a license on FRAND terms even due to antitrust law alone";*

– fourth, Vodafone GmbH is of the opinion that the obligation to grant a FRAND licence limits IV II's claim for damages, relying in this regard on para. 313 of Judge Kühnen's learned treatise; and

– fifth, Vodafone GmbH is of the opinion that the limitation of the claim for damages results in a limitation of the claims for information and rendering of accounts. According to Vodafone, this requires the Düsseldorf Court to dismiss partly the requests for the rendering of accounts sought by IV II.

47. In its arguments, Vodafone GmbH places some reliance on para. 313 of Judge Kühnen's learned treatise which falls in a section of Judge Kühnen's textbook headed "Impact of the FRAND consent on the claim for damages" and states as follows (the below is a translation of the original German):

*"The fact that the objection of abuse of power cannot be held against the filing of an action does not mean that the FRAND declaration by the owner of the protective rights has no legal significance for the respective claims. The opposite is the case, since the given consent to grant a licence in favour of the infringer creates a substantive claim that naturally has to be taken into account when determining how to [address]...previous acts of use and on which data accounts are to be rendered in preparation as a consequence. The obligation assumed by the owner of the protective right to grant use of its market-dominating patent to anyone in return for an exploitation-free licence reduces the claim for damages to that very same FRAND licence and the associated rendering of accounts to the information that is necessary for determining the licence fee. This applies as long as the patentee does not comply with its obligations to conclude a FRAND licensing agreement (by, for example, not providing a notice of infringement or not submitting an adequate licensing offer)."*

48. What Judge Kühnen seeks to emphasise in the last-quoted text is the distinction, clearly recognised in *Huawei*, between claiming an injunction and merely claiming damages or a rendering of accounts. It will be recalled that *Huawei* was concerned with a SEP-holder in a dominant position seeking injunctive relief. In the within case, no injunction has been sought but IV (correctly) maintains that this does not make FRAND irrelevant. Rather, it is relevant to the scope of the reliefs available.

49. Paragraph 314 of Judge Kühnen's learned treatise moves on to mention that a limitation of the claims for damages and rendering of accounts does not apply if a SEP-owner has made a FRAND offer and the infringer has failed to make a FRAND counteroffer; as soon as these conditions are fulfilled, it appears that as a matter of German law the SEP-holder is entitled to request full damages and all information necessary to calculate those damages.

50. IV complains that when Vodafone GmbH initially came before this Court, the court's attention was drawn only to para. 313 of Judge Kühnen's learned treatise and not also to para. 314. This may have been due to oversight or inadvertence, and, for the avoidance of doubt, the court makes no criticism of any of the lawyers involved either in this regard or in any other regard when it comes to their actions in the within proceedings. That said, it would, however, have been preferable had the court's attention been drawn to both paras. 313 and 314 at the ex parte stage.

## **V. Application of *Huawei* before the Düsseldorf Courts**

### **(i) Overview.**

51. A great many legal issues have been raised in the context of the within application. In the context of those issues and the ensuing argument it is possible to lose sight of the key issue that lies at the heart of the within application, viz. whether there is a risk of irreconcilable judgments issuing from the Irish court and the Düsseldorf Court on overlapping subject-matter. More particularly, is the Düsseldorf Court likely to assess whether the licence offers exchanged between the parties are FRAND-compliant? If that question is answered in the affirmative, this suggests a risk of irreconcilability because the Irish court is (and it is) confronted with making the same assessment. This being so, the court turns now to consider whether and how the issue of FRAND will be addressed by the Düsseldorf Court. In this regard, the court gratefully draws on the helpful evidence of Dr Lamping. An alternative view to that of Dr Lamping which has been advanced by Dr E Keller is considered in the next Part below.

### **(ii) FRAND (general).**

52. A question that lies at the heart of both the German Proceedings and the Irish Proceedings is whether the parties have complied with their obligations to exchange licence offers on FRAND terms. In the Irish Proceedings, this issue is obvious from the claims made. The reason why the FRAND issue is also relevant in the German Proceedings, even though it is not expressly addressed in the claims, is its implication for the nature and scope of IV II's claim for damages and the accessory claim for the rendering of accounts. In this regard, it is useful to recall the decision of the BGH in *Standard-Spundfass* (BGH, 13.07.2004 – KZR 40/02), to which the court has been referred, in which the BGH held, *inter alia*, as follows:

*"[I]f the defendant is entitled to use the patent, compensation for damages to the plaintiff resulting from the use the defendant has made can in any case only be demanded for the amount to which the plaintiff would have been entitled if it had not refused (illegally) to grant...a licence".*

53. This means that in cases where an infringer can rely on the compulsory nature of a licence, e.g., on grounds of competition law, the patent-holder's claim for damages is limited to unpaid licence fees. (This follows from the restitutionary principle which underlies German tort law whereby the purpose of awarding damages is not to punish the infringer, but to restore the right-holder's economic position; if the infringer would have been entitled to use anyway, the appropriate compensation is a usage fee). Moreover, the patent-holder can no longer choose between the three calculation methods provided by German law in this regard (being lost profits of the right holder, infringer's profits, or what might be styled 'licence analogy'). Instead, it is bound to calculate damages according to the licence analogy, i.e. on the basis of the amount which the infringer would have been required to pay as equitable remuneration if it had obtained permission to use the invention.

54. It appears from the evidence before the court that the courts of Düsseldorf apply the logic of *Standard-Spundfass* to cases involving SEPs. This is based on the assumption that the actual obligation of the proprietor of a SEP to license on FRAND terms flows from the prohibition of abuse of market dominance, provided, of course, that the SEP confers a dominant market position. Accordingly, the patent-holder's undertaking to the standardisation body to grant licences to third parties on FRAND terms is considered to have declaratory effect only, i.e. it is competition law, not patent law, that mandates the FRAND obligation. However, the Düsseldorf courts make the limitation of damages subject to the standards of conduct imposed on the parties by *Huawei*. So, for example, the patent-holder must, prior to bringing an action for infringement (1) alert the alleged infringer of the infringement by designating the patent and specifying the way in which it has been infringed, and (2) after the alleged infringer has expressed its willingness to conclude a licence on FRAND terms, present to the alleged infringer a specific, written offer for a licence on FRAND terms, specifying, in particular, the royalty and the way in which it is to be calculated. In this last regard, it appears that a distinction falls to be drawn between, on the one hand, actions seeking damages and the rendering of accounts, and, on the other hand, actions seeking an injunction and the recall of products, i.e. *Huawei* is authority only for the proposition that prior alert and offer must be fulfilled prior to bringing an action for an injunction or for the recall of products. And notably, in the German proceedings, IV II has not claimed an injunction or the recall of products.

55. Why would the 'prior alert and offer' requirement, as introduced by *Huawei*, not be applicable in the context of damage and rendering of account proceedings? To understand this, one has to return to the substance of *Huawei*. Within the context of *Huawei*, it is not the imposition of unfair or discriminatory terms that constitutes the abuse. It is the bringing of an action for a prohibitory injunction and for the recall of products, without having first given the alleged infringer a chance to settle matters on the basis of bona fide negotiations, a process which is considered to be in conflict with the patent-holder's obligations as a dominant undertaking (if it is a dominant undertaking) towards the dominated market and its upstream and downstream markets. The idea is that the parties are supposed to negotiate at arm's length and not in the shadow of an injunction or recall of products. However, if no injunction or recall is claimed by the patent-holder, these considerations do not present.

56. Where the *Huawei* standards are applied as a legal test for the purpose of determining the scope of the patent holder's damage and accounting claims and not as criteria for the establishment of an abuse as a result of an action for a prohibitory injunction or the recall of products, the requirement of 'prior alert and offer' does not apply. It is clearly stated in *Huawei* that an action for infringement seeking the rendering of accounts and an award of damages need not constitute an abuse. Thus, per the CJEU, at paras. 74–76:

*"74. In the present case...the actions for infringement brought by the proprietor of a SEP, seeking the rendering of accounts in relation to past acts of use of that SEP or an award of damages in respect of those acts of use, do not have a direct impact on products complying with the standard in question manufactured by competitors appearing or remaining on the market.*

*75. Consequently, in circumstances such as those in the main proceedings, such actions cannot be regarded as an abuse under Article 102 TFEU.*

*76....Article 102 TFEU must be interpreted as not prohibiting, in circumstances such as those in the main proceedings, an undertaking in a dominant position and holding a SEP, which has given an undertaking to the standardisation body to grant licences for that SEP on FRAND terms, from bringing an action for infringement against the alleged infringer of its SEP and seeking the rendering of accounts in relation to past acts of use of that SEP or an award of damages in respect of those acts of use."*

57. Accordingly, so long as a patent holder only seeks damages and a rendering of accounts, i.e. so long as an abuse within the meaning of *Huawei* judgement is, to use a colloquialism 'off the table', the patent holder is not required to alert the alleged infringer or to present an offer prior to initiating such proceedings. This being so, it appears that the courts of Düsseldorf will not refrain from assessing the FRAND issue. In fact, the Düsseldorf courts appear to be inclined to take an entirely pragmatic view when it comes to conformity with the *Huawei* criteria, with recent case-law of the Regional and Higher Courts of Düsseldorf mooted the possibility that, even in the context of injunction and recall procedures, i.e. where the FRAND issue is undoubtedly part of the assessment, a failure of a patent-holder to comply with the 'prior alert and offer' requirement may be cured if the patent-holder submits a FRAND licence in the course of proceedings. The court has been referred in this regard to, *inter alia*, OLG Düsseldorf, 09.05.2016 – I – 15 U 36/16, in which it is stated as follows, at paras. 36–40 (the below-quoted text is translated from the original German):

*"36...In patent law literature (Kühnen, Handbuch der Patentverletzung, 8th edition [op. cit.], part E para. nos. 295 et seq...for offers by the SEP proprietor made initially in the statement of complaint, the view is taken that, such approach could not result in the final loss of a right. If this is the case, nothing else can apply for the notice of infringement by the Plaintiff at the very beginning of the procedure. In view of the fact that, after the complaint has been withdrawn and the failure to comply with the procedure has been subsequently (extra-judicially) remedied, a complaint which is also identical in terms of content, would have to be allowed, it seems...rather questionable for a plaintiff to be locked into a predetermined time-schedule in strictly legal terms in a way in which all actions belonging to the duties of the SEP proprietor would necessarily have to be carried out prior to the proceedings...*

*37 It is...true that the CJEU has created a thoroughly balanced equilibrium by means of the procedure prescribed by it, for the implementation of which it is imperative that the SEP proprietor fulfills all of its obligations....Further, it is true that the CJEU has repeatedly used the wording 'prior to filing a complaint'. Nevertheless, it seems at least questionable, whether the CJEU has to be understood in the sense that the lack of individual (or where applicable of all) procedural steps prior to filing the complaint necessarily excludes...remedying the lack during the procedure....In this context, difficult legal questions arise, which are unsolved up to now and which will hence require a thorough analysis in the principal proceedings....*

*38...The statements of the CJEU which take the point in time of filing the complaint into account can...possibly be understood in the sense that filing the complaint already is an (initial) act, which causes a concrete danger of restrictive consequences with regard to the licensing market....For this reason, the measures requested by the SEP proprietor should ideally be implemented prior to the proceedings. However, measures implemented...afterwards are also capable of again resolving dangers for the licensing market....*

*39 According to [Germany's] national law of civil procedure, the principle of relevance of the point in time of the close [proximity?] of the last oral hearing is valid....This implies that developments...after filing the complaint can in general be taken into consideration. This procedural argument does...not contradict the principles of Art. 102 TFEU....After all, the general idea of the prohibition of abuse of a dominant market position is to force the SEP proprietor to act in compliance*

*with antitrust law on the licensing market. If the SEP proprietor fulfills the duties concerned...there is no...basis for the complaint being dismissed as (currently) unfounded. A catching up on the procedural steps during pending proceedings does by no means represent a one-sided privileging of the SEP proprietor: If in contrast the Defendant only declares its willingness to take out a licence during the proceedings or initially offers a FRAND counter-offer (not precluded according to procedural right of delay), it would be barely acceptable to anyhow order it to cease and desist....*

*40 The further argument referred to in this context, that the licence negotiations had to be performed 'on an equal footing' without the pressure of negotiations build up by pending proceedings, should ultimately not be convincing either. The honest Defendant can itself destroy the basis of the cease-and-desist demand by fulfilling its corresponding duties during pending proceedings."*

58. Shortly after the above-mentioned decision of the Higher Regional Court of Düsseldorf issued, the Higher Regional Court of Karlsruhe rendered a like decision in OLG Karlsruhe, 31.05.2016 - 6 U 55/16, where it is stated as follows, at para. 27 (the below-quoted text is translated from the original German):

*"27 The question of whether the filing of the complaint can be considered to have been abusive, is...according to the provisional view of the Senate to be separated from the question of whether a continuation of the litigation remains abusive. The CJEU did not deal with the...essential question of whether the abusive character...of a patent infringement complaint can be raised against the patent proprietor at least in transitional cases even when the patent infringement has been pointed out to the infringer in a sufficient manner within the statement of ground of complaint, the patent proprietor presents a concrete licence offer under FRAND conditions in written form during the proceedings and the infringer does not react to it with due care according to the recognized commercial practices in the relevant field and according to good faith. The CJEU merely answered the question of under which circumstances filing of a patent infringement complaint by a company in a dominant market position is abusive...respectively under which circumstances the abusive character of a patent proprietor's refusal to grant a licence under FRAND conditions can be used as a defence against complaints for injunctive relief or recall....Further, the Higher Regional Court of Düsseldorf correctly points out that the honest Defendant can itself destroy the basis of the cease-and-desist demand by fulfilling its corresponding duties during pending proceedings."*

59. In light of the foregoing, there seems little reason to believe, and it has been urged upon the court by IV that there is no reason to believe, that the Regional Court of Düsseldorf would, on the basis that IV II allegedly did not alert Vodafone GmbH to the latter's alleged patent infringement prior to commencing the German proceedings and only presented a licence offer after the proceedings were initiated, refrain from assessing the FRAND issue.

60. Returning to the mainstay of the *Huawei* requirements, a patent holder's damage claim is limited to licence fees in two scenarios, viz. (1) if both patent-holder and alleged infringer comply with the *Huawei* requirements, and (2) if the patent-holder fails to comply with the *Huawei* requirements. For as long as the patent-holder complies and the infringer does not, full damages are awarded. The regional courts of Düsseldorf also award full damages for the infringement period prior to the alert. In concrete terms, this means that if a patent-holder makes an offer on FRAND terms but the infringer does not, full damages will be awarded (for the entire period of infringement until the infringer improves his counter-offer); if the patent holder fails to make an offer on FRAND terms, damages are (as from the date of the insufficient offer) limited to licence fees calculated on the basis of a licence analogy; and if both offer and counter-offer are considered to be FRAND, the patent-holder's damage claim is (at the latest, from the date of the infringer's counter-offer) limited to licence fees. Therefore, whether IV II, IVIL and Vodafone have complied with *Huawei* appears of direct relevance for the nature and scope of IV II's damages claim. It determines whether IV II's claim for all damages is either justified or, as Vodafone GmbH claims, too broad. It follows that the FRAND issue also determines the scope of the claim for the rendering of accounts. Being an auxiliary claim, its scope depends, as a matter of principle, on that of the main claim.

61. As a general rule under German law, it appears that a patent-holder is entitled to request all information needed in order to decide in favour of one of the calculation methods provided by s.139(2) of the German Patent Act, quantify the damages according to the preferred method, and verify that calculation. Conversely, an infringer is not required to provide information that is unnecessary for the purpose of putting a figure on the damages. If a patent-holder is not in a position to choose between the three calculation methods (because one or more of them are excluded) its claim is limited to the information needed for the calculation of damages according to the still-available method/s. It is against the applicable principle of good faith to request more information than necessary. Therefore, if the requirements for a limitation of the patent-holder's damages to licence fees are met (because the licence-offer presented by the patent-holder is not FRAND or because both offer and counter-offer are FRAND), the scope of the claim for the rendering of accounts is limited to the information needed in order to apply the licence analogy method. This has the result that the patent-holder cannot request information about costs and profits or advertising activities. To the extent that a claim covers such information, it lacks legal basis and risks being rejected as partly unfounded.

62. In light of the foregoing, it appears that the Düsseldorf Court will not be in a position to decide conclusively upon the merits of IV II's claims without first determining whether IV II, IVIL and Vodafone GmbH have complied with the standards of conduct laid down in *Huawei*, since that determines the nature of IV II's damages claim (whether full or only limited damages can be claimed) and, consequently, the scope of IV II's right to information (whether details about costs and profits as well as advertising activities can be requested).

(iii) FRAND (Fair, Reasonable and/or Equitable).

63. It appears that in German law there is no straightforward way to have a court determine a FRAND royalty or rate by way of an independent (royalty- or rate-setting) action. However, s.315 of the German Civil Code seems to provide for a viable alternative. It allows the alleged infringer, i.e. the prospective licensee, to recognise its obligation to pay the royalties proposed by the prospective licensor, on condition that a German court considers them to be equitable (in principle, this also works vice versa, so a patent holder could accept the counter-offer of the prospective licensee and have the proposed royalties reviewed on the basis of s.315(3)). The procedure is mutually beneficial: the parties can agree on the conclusion of a licence and the licensee is assured that the agreement will only be binding if the proposed royalties are endorsed by an independent third party (a court).

64. Ms Martin, the Group General Counsel for Vodafone Group, has averred in her affidavit evidence that "there is no reason to believe that 'equitable' (under German law) corresponds...to 'fair', 'reasonable' and/or 'non-discriminatory' under Article 102 TFEU". Although Ms Martin is clearly a distinguished lawyer, the court must admit to some difficulty at accepting her evidence on matters of German law as there is no indication in her evidence as to her competency in matters of German law. Be that as it may, a couple of difficulties appear to arise when it comes to the last-quoted assertion in any event:

– first, it is difficult to conceive that a situation would arise in practice in which a court would consider royalties to be equitable but not fair and reasonable (or vice versa). It is, of course, possible to draw a distinction in terms of methodology, with what is ‘fair’ and ‘reasonable’ requiring to be approached through competition law, and what is ‘equitable’ being determined on the basis of civil law standards, but it is difficult to conceive that this would ultimately affect the practical outcome of the assessment arising.

– second, both aspects are, in any event, intrinsically linked. If a court is asked to determine whether a patent holder’s offer is equitable, knowing that the patent holder’s contractual autonomy is constrained by competition law, it is difficult to see that it would not take that into account, with the result that a licence offer that was unfair or discriminatory within the meaning of Article 102(a)/(c) TFEU almost certainly could not, as a matter of principle, be considered equitable within the meaning of s.315 of the German Civil Code.

65. In passing, the court notes that IV’s licence offer expressly stated that royalties “must be reasonable and non-discriminatory”. So if Vodafone were to ask a German court to review whether the royalty rate set by IV were equitable, that court would inevitably have to take into account that IV has committed itself to license on “reasonable and non-discriminatory” terms, with an unreasonable and discriminatory offer inevitably falling to be considered inequitable: how could it be otherwise?

#### (iv) FRAND (Portfolio Assessment).

66. The issue has been raised in the course of the within application whether the Düsseldorf Court will assess FRAND-compliance in respect of the patents at issue in the German Proceedings or in relation to the full portfolio of patents. The feasibility of a portfolio assessment appears to be contested by Vodafone GmbH. Thus, at para. 10 of her second affidavit, Ms Martin states, for example, that “it is difficult to see how, on...[IV’s] case, the German Court will be in a position to consider what would be FRAND terms for a licence [of]...the Portfolio of patents”.

67. The concern arising appears to be that the Düsseldorf Court will be lacking in sufficient information about the majority of patents. However, even if an information deficit were to be assumed, there is no reason to believe that the Düsseldorf Court could not obtain the information it needs in order to make a comprehensive or representative portfolio assessment. Although it is, in principle, for the parties to adduce evidence of the facts on which the claims are based, the court’s attention has been drawn to the fact that the German Civil Code obliges the Düsseldorf Court to discuss with parties the factual and legal aspects of the case, and draw their attention to aspects that have been overlooked or deemed to be insignificant. Most importantly, the court needs to ensure that the merits of the case, i.e. all facts that are relevant for the decision, are presented by the parties clearly and comprehensively. The court is also entitled to request, of its own motion, such information as it needs in order to render a decision. The foregoing being so, it is difficult to see that the Düsseldorf Court would not be in a position to make a comprehensive portfolio assessment because of any lack of information about the majority of portfolio patents; and in this regard the alleged fact that IV II has not furnished sufficient information on the portfolio should not be an obstacle to such an assessment.

#### (v) Standard of Review.

68. In her second affidavit, Ms Martin states, *inter alia*, that “Even if the FRAND compliance of the Offer or Counter-offer was to be addressed in the German...Proceedings, it would only be a cursory assessment”. The same point seems again to be made by Ms Martin when she later avers that “[T]he exercise of analysing any FRAND issues in the German Proceedings will not be of the same depth, towards the same end, or concerning the same questions, as [the Irish Proceedings]”. But due to a lack of precedent, there is no way of telling with certainty how detailed the FRAND assessment in the German Proceedings might be, since this also depends very much on the expectations of the judges dealing with the case. Nevertheless, if one had to address the question, a recent decision of the Higher Regional Court of Karlsruhe (OLG Karlsruhe, 31.05.2016 – 6 U 55/16) may be instructive, subject to two caveats, viz. (i) unlike the within proceedings, those proceedings involved claims for injunctive relief and the recall of products; and (ii) there is no doctrine of stare decisis in Germany such as exists under our law.

69. In that decision, the Karlsruhe court took issue with a decision of the Mannheim Regional Court which had suggested that it was sufficient to assess FRAND compliance on a summary basis. Per the Karlsruhe Court (the below-quoted text is translated from the original German):

*“30 The Regional Court assumed that the stipulation according to which the patent proprietor has to submit a specific written offer of a license on FRAND terms, would not mean that, where the (alleged) patent infringer disputes...that this offer would meet FRAND criteria, the infringement court would now have to objectively rule on whether the offer submitted by the SEP proprietor is actually FRAND. This is because that would burden the infringement process with having to determine the amount of the royalty and other contractual terms that would precisely meet these criteria, which the Chamber does not consider to have been the intention of the Court of Justice. Rather it would only be necessary that the offer by the SEP proprietor did at least come across as ‘not evidently containing no FRAND conditions’ in a summary review....*

*31 This opinion does not seem acceptable with regard to the clear statements of the CJEU...Especially the [Huawei decision of the CJEU] contrary to the opinion of the Regional Court...does not allow the conclusion that it pursued the objective to relieve the infringement proceedings of the determination of which conditions...are FRAND in the specific situation. The Regional Court correctly points out that the determination of the amount of the FRAND licence can be difficult....It can further be conceded that the term and content of the FRAND terms are widely unexplained....The CJEU did, however...not deal with these questions. It does not follow from this, however...that the CJEU wanted to relieve the national courts of their clarification.”*

70. The decision of the Higher Regional Court of Karlsruhe confirms that, at least in the context of injunction procedures (where the FRAND issue is part of the abuse assessment), the court addressing infringement needs comprehensively to review the licence-offers in order to be able to determine conclusively whether the parties have complied with their obligations. Accordingly, the patent-holder has to provide evidence to enable the court to make such an assessment. However, if such evidence is not provided, that does not relieve the infringement court of making the assessment. There are (as considered above) procedural means to obtain the information needed.

#### (vi) The Potential for a Counterclaim in Düsseldorf.

71. At the hearing of the within application, mention was made of the potential for Vodafone GmbH to bring a counterclaim against the IV ventures in Düsseldorf instead of initiating parallel proceedings in Ireland. This is an issue that goes towards the question of *forum non conveniens* in the context of O.11 of the Rules of the Superior Courts (1986), as amended, and will be considered in that

context later below.

## **VI. Application of *Huawei* by the Düsseldorf Court: an Alternative View**

### **(i) Overview.**

72. Dr Keller is a German-qualified lawyer and a partner in Hogan Lovells in Germany. He has extensive experience in patent infringement and invalidity proceedings before the German courts and the CJEU. He is an advisor to Vodafone in the German Proceedings. He has advanced a rather different perspective on the German Proceedings to that advanced by IV.

73. Dr Keller draws a distinction between:

– the German Proceedings, in which IV II “allege[s] infringement of the German designations of [EP]174 and [EP]20 relying on Vodafone’s implementation of certain xDSL standards on its xDSL network in Germany...[and] seeks relief in the form of a declaration that Vodafone is liable to pay damages, in a general sense and without any suggested limitation on the scope of those damages, and brought forward a claim for rendering of accounts”; and

– the Irish Proceedings in which Vodafone “seek[s] to get a determination of the FRAND rate which should apply as between IVIL and Vodafone for a licence of the German designations of [IV II’s]...full portfolio of 16 xDSL patents, including [EP]174 and [EP]20”.

74. Dr Keller further identifies as a critical distinction between the two that:

– the Irish Proceedings “have as their primary objective the fixing of a FRAND rate for the licensing of the Portfolio of sixteen patents, as envisaged by the Court of Justice in...*Huawei*....[They] do not concern patent infringement allegations but rather arise from a licence offer that was issued by IVIL (which...is not a party to the German...Proceedings) to Vodafone two months after the initiation of the German...Proceedings”; whereas, by contrast,

– “the claim made by [IV II]...in the German...Proceedings is a claim for damages for alleged infringement of two patents”.

75. The German courts, in the German Proceedings will not and cannot, per Dr Keller, fix the FRAND rates for any patents, much less the full portfolio which is at issue in the Irish Proceedings. (They could, Dr Keller seems to acknowledge, if they were asked but they have not been asked). “For this reason”, Dr Keller avers, “I disagree with Dr Lamping’s comment...that ‘the question that lies at the heart of both the German and the Irish proceedings is whether the parties have complied with their obligations to exchange licence offers on FRAND terms’”.

### **(ii) No Risk of Irreconcilable Decision in relation to FRAND.**

76. Dr Keller maintains that there is no risk of an irreconcilable decision in relation to the determination of a FRAND rate relating to all patents in the portfolio. He identifies three key reasons why this is so: first, the German courts are not seised of any questions of quantification of damages or rates; second, the German courts will not determine a FRAND rate; third, the only patents before the German courts are the two patents of which infringement is alleged and it is unlikely that the German courts would look at patents that are not before them.

#### **I. No Quantification of Damages.**

77. Dr Keller has drawn the court’s attention to the fact that the purpose of the German Proceedings is to establish liability, i.e. the court will make (if it makes) an order that Vodafone GmbH is liable in a general sense to pay damages; the amount of damages will be determined later in separate quantum proceedings which may or may not proceed and will be entirely separate from the German infringement proceedings. In the event of such quantum proceedings, the amount of damages will be calculated by IV II on the basis of information provided by Vodafone; hence IV II’s complaints also seek an order for the provision of information and the rendering of accounts.

#### **II. Non-Determination of FRAND Rate.**

78. Dr Keller notes that Vodafone wishes to have the FRAND rate which should apply between it and IVIL, with regard to the entire Portfolio, determined in the Irish Proceedings. This, he maintains will not be possible in the German courts which are not empowered to act in the same manner in the German Proceedings. The closest, he says, that German law comes to providing a mechanism that would enable a court to set a FRAND rate is s.315 of the German Civil Code. However, this provision only allows the German courts to determine whether the damages amount specified by the plaintiff is equitable; this, he maintains, is “fundamentally different from the independent third party FRAND determination envisaged by the CJEU in *Huawei*”. In reality, he avers, “following a finding of infringement in German infringement proceedings the plaintiff calculates the damages it believes itself to be entitled to based on the information provided by the infringer (the rendering of accounts) and then initiates separate quantum proceedings requesting said damages. The German Court will then assess the requested amount and, if that amount is determined to be excessive, the court would substitute a lower amount.”

#### **III. Non-Consideration of Entire Portfolio.**

79. Dr Keller disagrees with the suggestion that the German courts will consider the entire 16-patent Portfolio and does not accept that Judge Kühnen’s learned treatise points to this as an inevitability. Judge Kühnen, he avers, “is not of the opinion that the German Courts must consider each patent in a portfolio to assess whether an offer is FRAND in relation to the asserted sub-set”. He continues:

*“I find it very difficult to imagine that the German Court, in an infringement case based on a single patent (as each of the German...proceedings are), would look into the infringement/validity/essentiality of 15 further patents that are not asserted....In fact, in the unlikely event that the German Court did attempt to determine if the offer and counter-offer are FRAND, the approach that it is likely to take is to refer to existing licences and assignments of the same Portfolio. The Court may deduce from the fact that other parties have taken a licence that the composition of the portfolio is reasonable without going into the strength of the individual patents. This approach was taken by the Düsseldorf Court in the Saint Lawrence Communications v Vodafone case [District Court Düsseldorf, case No 4a O 73/14, decision of 31st March, 2016)].”*

### **(iii) FRAND compliance of offer/counter-offer not part of the German Proceedings.**

80. In German patent infringement proceedings, FRAND issues may be raised as a competition law defence. In the German Proceedings, FRAND issues were first introduced when Vodafone's statements of defence were filed on 21st and 27th July, 2016. Vodafone GmbH argues that the categories of information sought by IV II should be limited to those necessary to calculate damages for those two patents on the basis of a FRAND royalty (licence analogy). Vodafone has therefore raised an argument that the existence of a FRAND encumbrance on the asserted two patents automatically limits IV II's claim for information and the rendering of accounts to that required to calculate damages on a FRAND licence analogy basis (the 'FRAND Defence'). Vodafone further contends that the existence of a FRAND encumbrance on the two patents automatically limits IV II's claim for information and the rendering of accounts to that required to calculate damages on a licence analogy basis. The Düsseldorf Court is not currently asked to determine if the offer made by IVIL (which is not a party to the German Proceedings), or the counter-offer made by Vodafone, is FRAND, still less to determine whether the offer or counter-offer are FRAND-compliant with regard to the 14 patents that are not part of the German Proceedings.

81. Dr Keller makes some closing averments under this heading:

– first, he maintains that it is uncertain how Vodafone's FRAND defence will be viewed by the German courts. He does this by reference to certain case-law of the Mannheim District Court, though the court is persuaded from the evidence before it that the Düsseldorf Court is eminently more likely to follow the case-law of the Düsseldorf Appeal Court (albeit that this is not strictly binding) than to accord with the case-law of the Mannheim District Court.[1]

*[1] So, for example, Dr Müller Stoy, in his affidavit evidence, avers as follows in this regard:*

*"[T]he Düsseldorf Court and the Mannheim Court are different fora with different appeal courts. Their decisions are not at all binding for the respective other court. When new legal questions arise (like the question whether the Huawei criteria are relevant to the claims for damages and rendering of accounts), the Düsseldorf Courts and the Mannheim Courts sometimes have different opinions. In particular, in some patent infringement decisions dealing with standard essential patents both courts have disagreed with each other on certain aspects, including in the aftermath of the Huawei decision....*

*Such differences are ultimately resolved when the Federal Court of Justice (the highest German court in patent matters) is given the opportunity to decide the legal standard to be applied...*

*However, as long as the Federal Court of Justice has not yet decided, the Düsseldorf Court applies the legal standard defined by the Düsseldorf Appeal Court in the vast majority of...cases...*

*In fact, I am aware from regular discussions with my partners and other German colleagues and from my personal experience in many cases at the Düsseldorf courts within the last fifteen years, that it is only in an extremely low percentage of cases, and to such an extent as to be insignificant, that the Düsseldorf Court deviates from case-law of the Düsseldorf Court...also, it is extremely rarer that the two parent senates of the Düsseldorf Appeal Courts disagree with each other on legal questions."*

*– second, Dr Keller notes that the only reference to the offer and counter-offer in the statement of defence is in a section headed "As a precaution: claim for injunctive relief not enforceable". This, Dr Keller avers, "is purely a precaution against the expansion of the 'sue now, seek injunction later' approach previously advocated by...[Dr] Müller-Stoy in [a published article]...This approach was adopted by...[Dr] Müller-Stoy's client in the other infringement proceedings between the parties in the German Courts (which do not relate to Patents in the Portfolio). This does not alter the fact that as matters stand the offer and counter-offer do not form part of the German...Proceedings".*

*– third, Dr Keller draws the attention of the court to the fact that the Düsseldorf Court "has repeatedly recognised that FRAND is a range, most recently in...Saint Lawrence Communications v Vodafone....Even if the German Court was to consider the offer and boundaries of the FRAND range - it will not impact on the issue before the Irish Court of the correct rate/ terms between Vodafone and the Defendants."*

(iv) That FRAND Issues May Arise a Speculative Possibility.

82. Germany is a popular venue for patent litigation due to the specialised nature of its court system, but particularly due to the bifurcated system whereby infringement is considered separately from, and usually considerably earlier than, validity. Infringement is considered by the district courts, usually in Mannheim, Düsseldorf or Munich, and validity cannot be raised as a defensive counter-claim (as would be possible in Ireland) but only in the context of a motion to stay the infringement proceedings, pending decision in the validity proceedings. However, a stay of the proceedings will only be granted if there is an overwhelming likelihood that the patent will be held to be invalid. While the infringement proceedings can take as little as eight months, the validity proceedings usually take in excess of two years. If there is a finding of infringement, and no stay pending the outcome of the validity proceedings, the requested relief will usually be granted, such relief being preliminarily enforceable on payment of a bond. Per Dr Keller:

*"If a finding of infringement has been made with regard to one or both of the two patents, and the proceedings are not stayed pending the outcome of the patent validity proceedings, it would further be necessary for the German Court to decide that there is a dominant position in the markets relevant to the two patents before FRAND matters relevant to the two patents would arise for consideration....Even if such a finding of infringement is made and a dominant position is found to exist in relation to the two patents, I do not agree with the...[Müller Stoy] or Lamping Affidavits which advance the position that the German Court will need to determine whether the offer and counter-offer exchanged between Vodafone and IVIL are FRAND compliant. I do not agree that this is established as a matter of German law....[T]here is no certainty as to the approach the German Court will take to the German...Proceedings. Statements by...[Dr] Müller Stoy that the German court 'will decide' or has to answer whether the offer and counter-offer were FRAND compliant, are unfounded as a matter of German law....[Dr] Müller-Stoy in large part bases his argument on the opinion of Judge Kühnen, as set out in his textbook....However a textbook is not the same as binding authority and the personal views of an individual Judge are not the law (indeed, although Judge Kühnen is well respected, the German Federal Supreme Court has in the past overturned decisions of his panel, including decisions referred to with approval in Judge Kühnen's textbook".*

(v) A Note on the Evidence Just Considered.

I. General Note.



83. There are two aspects of Dr Keller's evidence which, notwithstanding that he is clearly a most distinguished lawyer, have inclined the court, on the whole, to favour the evidence of Dr Lamping. First, Dr Lamping extensively references relevant case-law in his evidence; by contrast, Dr Keller makes almost no reference to case-law. It is clearly of comfort to any court when averments as to the law of a foreign jurisdiction come supported by references to applicable case-law. Second, there is a certain tendency in Dr Keller's evidence towards advising the court that notwithstanding that a matter is in issue in the German proceedings, it may not be dealt with by the Düsseldorf Court. It may not, but when it comes to the Recast Brussels Regulation it is not for this Court to engage in a speculative exercise as to whether matters at issue in the German Proceedings will in fact be addressed; in truth, such an exercise would enhance the potential for irreconcilable judgments to issue from the German Proceedings and the Irish Proceedings, because contrary to whatever speculative view this Court might form, the Düsseldorf Court might well adopt an alternative course of action to that anticipated by this Court.

## II. The Substance of Dr Keller's Evidence.

84. The court would make sixteen points regarding the substance of Dr Keller's evidence:

*(1) Dr Keller avers that "The [Irish]...Proceedings do not concern patent infringement allegations but rather arise from a license offer". However, the two sets of proceedings, it seems to the court, are not so readily separable: the object of the German Proceedings is to recover compensation for patent infringement; the object of Vodafone GmbH in the Irish Proceedings is, in effect, to determine the applicable compensation.*

*(2) Dr Keller avers that "[T]he German Court that is currently seised of the German...Proceedings will not and cannot fix the FRAND rate for any patents, much less for the full Portfolio that is the subject of the [Irish]...Proceedings". It appears to the court to be a matter of some significance that the foregoing text places an emphasis on rate-fixing as a factor, as opposed to the general pertinence of FRAND to the German Proceedings.*

*(3) Dr Keller avers that "[I]t is uncertain as a matter of German law whether the German Court will look at the FRAND process". If the highest it can be put is that "it is uncertain as a matter of German law whether the German Court will look at the FRAND process", then that, with every respect, is not very high at all.*

*(4) Dr Keller avers that "German law in relation to the key aspects of the FRAND analysis is not settled". That is quite a different position to that which seems manifest in other of the affidavit evidence furnished by Vodafone GmbH and seems to set the entirety of the latter's case as to the relevance or otherwise of FRAND in the German Proceedings on a most uncertain foundation.*

*(5) Dr Keller avers that "[I]n so far as the German Court does look at any FRAND issues, the role of the German Court in this regard would be limited to issues related to the scope of relief for the infringement of the two patents at issue in those proceedings...". That, it seems to the court, is effectively an acknowledgement by Dr Keller of the very case that IV has sought to make in the within application, viz. that the German Court (admittedly "in so far as the German Court does look at any FRAND issues", though even that phrase admits of such a possibility) will involve looking at FRAND in the context of any relief to be ordered for any infringement identified.*

*(6) If the court might re-state and complete the quoted text referred to in the context of the fifth point, what Dr Keller states, in full, is as follows: "[I]n so far as the German Court does look at any FRAND issues, the role of the German Court in this regard would be limited to issues related to the scope of relief for the infringement of the two patents at issue in those proceedings, a fundamentally different task to that being asked of the Irish Infringement Proceedings." Yet in Ms Paschen's first affidavit, she avers that "It will be readily apparent that the proceedings that have been issued in Germany do not involve or relate to issues of FRAND licensing and, as such, do not involve or relate to the same subject-matter or cause of action as [the Irish Proceedings]... There is therefore no risk of conflicting judgments arising from this action and those in Germany". So Dr Keller acknowledges that the German courts may look at FRAND; Ms Paschen, by contrast, avers that the German Proceedings "do not involve or relate to issues of FRAND licensing". The court cannot but note the striking dis-consonance between the respective averments of these witnesses in this regard. As to Ms Paschen's last-quoted assertion that "There is...no risk of conflicting judgments arising from this action and those in Germany", it is difficult to see how such a contention can be sustained in practice when, on Dr Keller's account, the Düsseldorf Court may look at the FRAND process.*

*(7) Dr Keller avers that "If a finding of infringement is reached in relation to one or both patents the German Court will then make an order that Vodafone is liable in a general sense to pay damages." If the German court will have to address damages, albeit "in a general sense", that brings FRAND into play.[1]*

*[1] Those damages will be determined later in separate proceedings which may, of course, never proceed, an aspect of matters on which the court found the below-quoted exchange with counsel for IV, at the hearing of the within application, to be most helpful:*

*"JUDGE: Are you not eliding...the fact that there are two sets of proceedings and the second may never be brought? I mean, if I win in the first judgment, I could have an 'argy-bargy' with my opponent at that stage and get what I want out of him without going to court again.*

*COUNSEL: You could, but you could say that in the situation with any proceedings before the Court. So if you were looking at proceedings in Germany and proceedings in Ireland and the German court was looking at it and they said 'Well, if the Irish court orders a modular trial and finds infringement, maybe it won't go on because they will settle'. The prospect that the two parties may settle is not a basis for not exercising Article 30 jurisdiction.*

*JUDGE: But that would be a settlement in one set of proceedings whereas these are, in fact, two sets of proceedings.*

*COUNSEL: Yes, but the fact that you'd never reach an issue, whether it's in one or two sets of proceedings, the fact that it may...settle or the Court may say that we have determined a particular issue and the other issue doesn't arise, has never been the basis for allowing the two sets of proceedings to go on. What you say is 'Is the court seised? [...]' Once it is seised of the issue, you say 'May there be irreconcilable judgments?', and there may be, because [the notion that there is no risk of same] involves the court making an assumption it [i.e. matters] might settle...[and] you could say that with any proceedings...whether it's one or two proceedings. But in any event, I am not eliding ...because I did make it clear yesterday that if you accept and don't treat the second set of proceedings as part of the one procedural*

unit but just stop and look at the first set of proceedings, the point is that FRAND will be reviewed in the first set of proceedings. It's a fundamental issue in those proceedings..."

(8) In the context of whether the Düsseldorf court will assess the entire 16-patent portfolio, Dr Keller avers, *inter alia*, as follows:

*"The only information that has been provided to the German Court relates to the infringement of two patents... Despite repeated requests from Vodafone in negotiations, the Defendants have only provided information in relation to six... of the 16 patents to Vodafone making assessment of the strength of the Portfolio impossible. No information at all has been provided to show how ten of the patents in the Portfolio are said to be infringed. The Plaintiff only obtained details of the alleged infringement of... [EP 174 and EP20] when... [IV II] served its Statements of Claim in Germany. Following a request by Vodafone, material approaching the detail of a full claim chart was also provided for one further patent in the portfolio and, at the same time, material was provided by the Defendants in relation to three other Relevant Patents but that material is inadequate to allow Vodafone to assess whether it infringes those three patents. The Plaintiff therefore does not have the required information and the German Court has even less information about the Portfolio.... [So] the German Court will simply be unable to make a determination as to whether the patentee has made a FRAND offer".*

A trio of points appears to the court to arise from the above-quoted text:

- first, Dr Keller touches in this regard on an area of considerable contention between the parties. So, for example, there is a dispute between them as to the number of patents in respect of which details have been provided; and there is a dispute between them as to whether the representative number of patents and associated information provided by the IV side complies with IV's obligations under German law.
- second, the IV team have previously lodged a request with the Düsseldorf Court as to whether it needs any further information to complete the task before it. At the time of writing, the Düsseldorf Court has not yet responded; however, it is safe to assert that a German court is every bit as competent as an Irish court to identify what it needs to complete any given task and to request or require certain further information, if such is needed.
- third, implicit in Dr Keller's averments appears to be a sense that the Düsseldorf Court will merely take up the patents and blithely assess a royalty rate. But that the Düsseldorf Court will not do: at the very least, the setting of a FRAND rate has the potential to see the German court examine issues relating, for example, to infringement, and in doing so it will be treading ground that would require to be trodden by the Irish court in the Irish Proceedings.

(9) Dr Keller avers that "[I]n the unlikely event that the German Court did attempt to determine if the offer and counter-offer are FRAND, the approach that it is likely to take is to refer to existing licences and assignments of the same Portfolio". The court would but note that the "event" is described merely as "unlikely". So there is a prospect that it will occur. Should it occur, the Düsseldorf Court will look to existing licences and assignments, although, Dr Keller notes (and this seems to run counter to the contentions made as to the deficiency, if deficiency there be, in the information provided thus far by IV in the German Proceedings) "The Court may deduce from the fact that other parties have taken a licence that the composition of the portfolio is reasonable without going into the strength of the individual patents. This approach was taken by the Düsseldorf Court in...*Saint Lawrence Communications v Vodafone*" (Decision of 31st March, 2016; case no. 4a O73/14)."

(10) Dr Keller avers, under the heading "The FRAND-Compliance of the Offer/Counter-Offer with regard to the Portfolio of Patents is not Part of the German...Proceedings" that, *inter alia*, "In German patent infringement proceedings, FRAND issues may be raised as an antitrust law defence in accordance with German statute, in particular...Art. 101 and 102 (TFEU)." Points can get missed inadvertently in pleadings; the court would but note that it was not advised of the foregoing at the ex parte stage of the within proceedings.

(11) Dr Keller continues as follows, immediately after the last-quoted text, "In accordance with the above stated German legal position FRAND issues were first introduced into the German Infringement Proceedings when Vodafone's statements of Defence were filed on 21 July and 27 July 2016, respectively. The Plaintiff argues that the categories of information sought by IV II should be limited to those necessary to calculate damages for those two patents on the basis of a FRAND royalty (i.e. a licence analogy)." The court makes no criticism of Dr Keller but it must admit to some surprise that no effort has been made in the pleadings to reconcile this averment with that made at the ex parte stage (and which at that point was true) that "It will be readily apparent that the proceedings that have been issued in Germany do not involve or relate to issues of FRAND licensing and, as such, do not involve or relate to the same subject-matter or cause of action as [the Irish Proceedings].... There is therefore no risk of conflicting judgments arising from this action and those in Germany". At the very least, the change in the factual position now presenting suggests that this initial averment no longer holds good.

(12) Dr Keller avers that "there is a risk that the FRAND Defence will not be considered" by the Düsseldorf Court. This, of course, means that there is a chance that it will be considered.

(13) Dr Keller avers that "[T]he German [Düsseldorf] Court has repeatedly recognised that FRAND is a range, most recently in...*Saint Lawrence Communications v Vodafone*.... Even if the German Court was to consider the offer and boundaries of the FRAND range - it will not impact on the issue before the Irish Court of the correct rate/terms between Vodafone and the Defendants." With every respect, the court does not accept this reasoning as correct: even if the German court does not fix the FRAND rate but merely fixes the outer boundaries to same then, it seems to the court, that the Irish court can neither set a range or a rate without running the risk of issuing a judgment irreconcilable with that of the German court.

(14) Under the heading "Only Speculative Possibility that FRAND Issues May Arise in German Infringement Proceedings", Dr Keller avers, *inter alia*, that "If a finding of infringement has been made with regard to one or both of the two patents, and the proceedings are not stayed pending the outcome of the patent validity proceedings, it would further be necessary for the German [Düsseldorf] Court to decide that there is a dominant position in the markets relevant to the two patents before FRAND matters relevant to the two patents would arise for consideration." If it would be necessary for the German court so to decide then in that instance it would clearly be treading ground that would also be trodden by

the Irish court in the within proceedings.

(15) In the next succeeding averment to that just considered, Dr Keller avers that "Even if such a finding of infringement is made and a dominant position is found to exist in relation to the two patents, I do not agree with the TMS or Lamping Affidavits which advance the position that the German Court will need to determine whether the offer and counter-offer exchanged between Vodafone and IVIL are FRAND compliant. I do not agree that this is established as a matter of German law." It is the last-quoted sentence that attracts the court's particular attention. It will be recalled that Dr Keller has averred, *inter alia*, that "German law in relation to...key aspects of the FRAND analysis...is not settled", that "there is no certainty to the approach that the Düsseldorf Court would take in the event of a finding of infringement", and now that a particular point of law has not been shown to be "established as a matter of German law". It seems to the court that this uncertainty (and thus the associated unpredictability as to the expected course of the German Proceedings) heightens, rather than decreases the risk of irreconcilable judgments emerging from the German Proceedings and the Irish Proceedings respectively.

(16) Dr Keller avers that "At this point it is worth noting that even on the Defendants' own case it is highly unlikely that the Defendants have complied with their FRAND obligations. Dr Lamping, at his paragraph 11, states that: 'the patent holder must, prior to bringing an action for infringement, (1) alert the alleged infringer of the infringement by designating the patent and specifying the way in which it has been infringed and (after the alleged infringer has expressed his willingness to conclude a license on FRAND terms) (2) present to the alleged infringer a specific, written offer for a license on FRAND terms, specifying, in particular, the royalty and the way in which it is to be calculated.' However, it is indisputable that no designation of the patents, specifics of how they are alleged to be infringed, or offer to license was made prior to the bringing of an action for infringement." It seems to the court, with every respect, that Dr Keller is conflating at this point two separate issues, viz. what is before the Düsseldorf Court and what the likely outcome of the proceedings before that court will be. But it is the former issue, i.e. what is before the court that is the proper focus of an application grounded on the Recast Brussels Regulation.

## **B. THE WITHIN APPLICATION**

### **VII. The Plenary Summons**

85. It will be recalled that in the plenary summons founding the within proceedings, among the reliefs sought are the following:

[1] "1. A declaration that an offer made by the Defendants...for a licence for the use in...Germany of certain patents asserted to be owned by the Second Defendant and listed in the schedule hereto...(the 'Defendants' Offer') was not an offer on fair and reasonable and non-discriminatory ('FRAND') terms".

Court Note: This is something that the court could only determine if it were satisfied, in simple terms, that there was an infringement and that there was market dominance, because it is only in those circumstances that one falls to offer FRAND terms. (Otherwise, a patent-holder can refuse a licence, name its price and the prospective licensee either agrees or disagrees).

[2] "2. A declaration that the process followed in relation to and arising out of the Defendants' Offer (whether or not including the seeking of an injunction) amounts to an abuse of a dominant position contrary to Article 102 TFEU".

Court Note: The same objection applies to the within relief as was mentioned above and is a process which, subsequent to the commencement of the within proceedings, Vodafone has asked the German court in the previously commenced German Proceedings, to consider. So the issue is going to be considered in the previously commenced German Proceedings and the only question arising in this regard is one of degree, i.e. the extent to which the Düsseldorf Court will consider it.

[3] "3. A declaration that the terms and conditions of the Defendants' Offer were not FRAND and that they amount to an abuse of a dominant position contrary to Article 102 TFEU".

Court Note: Largely the same objection applies to this third relief as has been mentioned in the context of the first relief above. Notably, the contention is also made in Germany that the offer of March, 2016 is not FRAND.

[4] "4. A declaration that the terms and conditions of a counter-offer made by the Plaintiff to the Defendants by letter to the First Defendant...(the 'Plaintiff's Counter-Offer') were FRAND".

Court Note: Again, the same line of objection arises. Moreover, it appears from para. 313 of Judge Kühnen's learned treatise that the Düsseldorf Court will, having looked at whether IV II's offer is FRAND, also look at whether the counter-offer is FRAND. It will be recalled that Judge Kühnen states, *inter alia*, as follows, at para. 313 (the text that follows is translated from the original German):

"The obligation assumed by the owner of the protective right to grant use of its market-dominating patent to anyone in return for an exploitation-free licence reduces the claim for damages to that very same FRAND licence and the associated rendering of accounts to the information that is necessary for determining the licence fee. This applies as long as the patentee does not comply with its obligations to conclude a FRAND licensing agreement (by, for example, not providing a notice of infringement or not submitting an adequate licensing offer)."

[5] "5. Further or in the alternative, insofar as neither the Defendants' Offer nor the Plaintiff's Counter-Offer were FRAND, a declaration as to the terms and conditions between the parameters of those offers upon which the licensing of the Relevant Patents for use in...Germany would be FRAND".

[6] "6. Further or in the alternative, a declaration that the licensing of the Relevant Patents to the Plaintiff on a revenue-based royalty basis could never be FRAND."

Court Note: Again the same line of objection arises. Moreover, the court notes that Vodafone GmbH has pleaded in the German Proceedings that a revenue-based royalty licence offer, rather than an equipment based royalty licence offer (which presumably would yield less remuneration in cash terms) is not a FRAND offer.

## VIII. Ms Paschen's First Affidavit

86. The court pauses to consider certain aspects of the first affidavit sworn by Ms J Paschen, the Head of Legal in Vodafone GmbH. Ms Paschen avers, *inter alia*, as follows:

*"[T]he Defendants have failed to comply with the obligations with which the holders of SEPs must comply when seeking to licence those SEPs. Specifically, the Defendants have failed to provide a licence offer on FRAND terms. Further, they have failed to specify how the Relevant Patents are said to be infringed, providing no details at all for ten patents and providing very little detail for another three. With the exception of the two patents on which they have sued the Plaintiff the Defendants have specified the method of alleged infringement of only a single one of the Relevant Patents";*

then later continues that

*"The Plaintiff has therefore made a counter-offer on FRAND terms on 9 June 2016. While it is hoped that the Defendants will accept this counter-offer, in the event they do not the Plaintiff seeks a number of declarations from this Honourable Court".*

87. The court cannot but note in this regard that the counter-offer and the proceedings issued on the same date, a coincidence of timing which might reasonably be construed to suggest, at the very least, that not a lot of hope was entertained in this regard.

88. Ms Paschen further avers as follows:

*"One of the declarations sought is a declaration that the offer made by the Defendants is not on FRAND terms. The First Defendant is domiciled in this jurisdiction and is the correct defendant for this case, as the party making the licence offer. The Second Defendant is represented by the Defendants to be the holder of the Relevant Patents, is the registered proprietor for the German national designations (for which the Plaintiff is willing to take a licence) and is seeking damages from the Plaintiff for past use of two of the Relevant Patents in the German proceedings; as such the Second Defendant clearly has at least a financial interest in the Relevant Patents and is a necessary and proper party to this claim. Further, the Second Defendant is clearly acting together with the First Defendant in relation to the control and licensing of the patents. I believe that the Defendants are under common control and/or are combining and acting together with regard to the licensing of the Relevant Patents."*

89. In other words, Ms Paschen points to some identity of interest between IVIL and IV II, an aspect of matters to which the court returns later below. Ms Paschen moves on to aver as follows:

*"It appears from enquiries made by or on behalf of the Plaintiff that the original applicant for the Relevant Patents was a company called Aware Inc. As already mentioned, the Second Defendant is now the registered proprietor of the German national designations of the Relevant Patents and the First Defendant has represented to the Plaintiff that it has the right to grant licenses under the Relevant Patents. The Plaintiff has sought information as to the Defendants' title to the Relevant Patents, but no such information has been provided to the Plaintiff. These proceedings are taken without prejudice to whether the Defendants have valid title to the Relevant Patents."*

90. At the hearing of the within application, counsel for IV sought to place some emphasis on the last sentence in the just-quoted text, suggesting that it points to the theoretical exercise which Vodafone GmbH has sought to put in play before the Irish courts. There is, perhaps, a certain inelegance to the substance of the averment, but it seems to the court that all that is being asserted in this regard is along the lines of 'We're suing the IV ventures on the basis that they are, as they claim to be, the owners of the Relevant Patents but the court may yet find that they are not'. Of greater significance, it seems to the court, are the following averments of Ms Paschen:

*"On 30 September 2015 the Second Defendant issued seven sets of proceedings in Germany against the Plaintiff. This was followed by four further sets of proceedings in January 2016, bringing the total to eleven sets of proceedings relating to ten patents. Two of these patents are Relevant Patents, these being [EP174 and EP20]....Statements of Defence with regard to [EP]174 and [EP]20 are due to be filed on 7 July and 27 June 2016 respectively and nullity proceedings (seeking a declaration that the patents are invalid) will be filed at the same time....It will be readily apparent that the proceedings that have been issued in Germany do not involve or relate to issues of FRAND licensing and, as such, do not involve or relate to the same subject matter or cause of action as these intended proceedings. There is therefore no risk of conflicting judgments arising from this action and those in Germany."*

91. Ms Paschen cannot be faulted for not knowing what was to come; even so, the court was not advised at the time of the *ex parte* application as to the substance of German law re. FRAND; and it is striking that, when it came to filing the Defences, the issue of FRAND was raised by Vodafone itself.

92. Ms Paschen continues:

*"The Defendants' licence offer was not acceptable to the Plaintiff as it did not consider the terms of the offer to be FRAND compliant due to the fact, *inter alia*, that the proposed royalty rate was calculated by reference to a percentage of the revenue of the relevant Vodafone operating companies, as opposed to being based on the equipment that allegedly infringes the patent. [So IV wants to charge a royalty by reference to revenue whereas Vodafone GmbH considers that the royalty should be charged by reference to such items of equipment as infringe the patent]. Further, the Defendants did not provide the necessary information to enable the Plaintiff to properly assess the Defendants' Offer by, *inter alia*: a. Failing to specify how thirteen of the sixteen Relevant Patents are alleged to be infringed (or any information whatsoever regarding ten patents); b. Failing to provide sufficient information explaining how the Defendants reached their proposed royalty rate; and c. Failing to provide copies of (or any information whatsoever regarding) licences of the Relevant Patents granted previously by the Defendants or their predecessors in title." (Emphasis added).*

93. With regard to item a., what is in issue in this regard is the practice as regards portfolio licensing. Longstanding industry practice with regard to the licensing of patent portfolios is to offer portfolio licences, i.e. licences of groups of patents that are commonly licensed together. Portfolio licensing appears generally to be considered both efficient and desirable. In the matter at hand, the patent portfolio to which IV is prepared to grant a licence in Germany ('the DSL portfolio') comprises the German designations of sixteen European patents. Many of these sixteen patents are related to each other by way of a common priority application, are closely related in terms of subject-matter and can be valued together. As is well-known, there are high transactional costs

associated with patent licensing. With the exception of a few major innovators, patent-holders generally have to convince prospective licensees that their patents are valid and interesting to (or, more commonly, are infringed by) such prospective licensee. Those prospective licensees may already be using the patented technology without paying royalties, and will have to be convinced to pay for a licence. It can take months or years to negotiate a patent licence and parties cannot discuss hundreds or even scores of patents in detail if they hope to reach an agreement within a commercially sensible amount of time. As such, parties generally agree to discuss a sub-set of representative patents from the offered portfolio. In general, it is only necessary to analyse in detail a chosen sub-set of representative patents from the portfolio. The analysis of those representative patents provides a proxy means of analysing all of the patents in a portfolio. The majority of portfolio FRAND licences are negotiated in this way. In the within proceedings, Vodafone GmbH objects to the fact that IV has only provided information in relation to six of the 16 patents in the DSL portfolio (including EP174 and EP20), making assessment of the strength of that portfolio impossible (or so Vodafone GmbH claims). IV maintains, by contrast, that it is entirely possible to assess the strength of a portfolio of 16 patents based on infringement information for a representative number (six) of the patents within the portfolio, combined with a list of the 16 patents, especially given the degree of inter-relationship between the various patents in the DSL portfolio. Vodafone GmbH also maintains that even if a German court was at some future point to look at fixing damages for the infringement of EP174 and EP20, that would not be irreconcilable with a FRAND rate being fixed for a portfolio (the DSL portfolio) comprised in part of EP174 and EP20. Thus Ms Martin avers in her first affidavit that "Even if a German Court was at some future point to look at fixing a damages rate for infringement of the two patents by reference to an appropriate FRAND royalty for those two patents, that would not be in any way irreconcilable with a FRAND rate being fixed for a Portfolio that includes the two patents because market practice in relation to the fixing of rates for a portfolio of patents involves different considerations to the fixing of a rate for individual patents". However, the court prefers in this regard the evidence of Mr E Stasik. He is an experienced patent licensing consultant who was retained by IV in connection with the assessment of FRAND royalties for IV's telecommunications patent portfolio and he avers, *inter alia*, that "In general, in my experience, the market practice for fixing of rates for a portfolio of patents does not involve different considerations to the fixing of a rate for individual patents....Generally, the methodology for determining the rates is essentially the same in these two scenarios and it seems to me almost unavoidable that an Irish Court setting a rate for the German designations of the entire portfolio...could create a conflict with any determination in the German proceedings as to what is FRAND."

94. With regard to item b., that is an issue in the German Proceedings because the court will look at it in determining FRAND.

95. With regard to item c., the basis on which a licence is granted invariably raises issues of confidentiality but that is a matter with which the courts in Germany, like the courts in Ireland, are doubtless perfectly capable of addressing by way of suitable orders, including orders as to redaction.

96. Ms Paschen avers as follows:

*"The Plaintiff made a counter-offer as to the terms and conditions upon which it is willing to take a licence of the Relevant Patents in the Federal Republic of Germany ("the Plaintiffs Counter-Offer") on 9 June 2016. It believes, based on the limited information available to it, that the offer is on FRAND terms....While reserving its position as to the issues of (i) essentiality, (ii) validity and (iii) alleged infringement of the Relevant Patents (as it must do given the paucity of information), the Plaintiff is willing to enter into a licence on FRAND terms, as outlined in the Plaintiff's Counter-Offer."*

97. Clearly it is one matter to reserve one's position in negotiations; one can even launch a challenge to validity and at the same time continue with licence negotiations. But what one cannot do, and what Vodafone GmbH seeks to do in the within proceedings is, during the currency of the German Proceedings, to enlist the support of the Irish courts as to an element of the German Proceedings.

IX. Ms Finocchio's Second Affidavit

98. It will be recalled that Ms Finocchio is the Chief Counsel of Litigation for Intellectual Ventures Management LLC (the entity that manages the parent entity to IV II). In her second affidavit, she avers, *inter alia*, as follows:

*"In Vodafone GmbH's defence in the German Proceedings, it made the following statement concerning the reasons for filing this litigation in Ireland."*

*'The complaint was filed in Ireland for the following reasons:*

*(1) As explained above, the license negotiations regarding the DSL patent portfolio in dispute are conducted by IVIL. The license offer of March 25, 2016 was presented by IVIL. It was signed by Ms. Mary Lou Nolan, who signed as the 'Director' of IVIL. The related accompanying letter was signed by Mr. Dan Richardson, who signed as the 'Director' of IVIL in the area of 'Licensing & Business Development'. Obviously IVIL is responsible within the Intellectual Ventures group for licensing IP rights. IVIL is an unlimited company headquartered in Ireland...The correspondence with the Defendant and VGSL was conducted via a branch office of IVIL, which is also registered in Ireland....*

*(2) In the event that the licensor and the party seeking a license cannot reach an agreement on the details of the FRAND terms of a license agreement following a counter-offer by the party seeking a license, the ECJ with its decision in...Huawei...expressly provided the option of said conditions being determined by an independent third party....As opposed to German procedural law, for example, Irish procedural law provides the option of such involvement of an independent third party by the invoked court.*

*(3) For answering the essential question whether an offer was made under FRAND terms, it is to be assessed, among other things, whether the conditions offered are unreasonably disadvantageous for the party seeking a license with respect to other licensees....In the end, this can only be determined if there is access to the license agreements already concluded by the licensor with third parties. As opposed to European continental legal systems, Irish law offers the option to obtain access to such agreements by means of discovery."*

99. There are a couple of immediate observations to make regarding the above-quoted text. First, the "independent third party" in Ireland and in Germany is a court; in Ireland, an assessor may sit with the court but it is a legally qualified judge in Ireland, as in Germany, who makes the ultimate decision. Second, the court notes that the availability of discovery in Ireland is touted as a reason for commencing the within proceedings in Ireland, a point to which it returns again later below.

#### **X. The Defence of Vodafone GmbH in the German Proceedings**

100. On 21st July, 2016, Vodafone GmbH filed its Defence in the German Proceedings. That Defence states, *inter alia*, as follows (the

original of the Defence is, of course, in German):

"A.

Lack of standing to sue

The Plaintiff [IV II] has no standing to sue. It is not the proprietor of the German part of the patent-in-suit and not entitled to assert claims related to it either. An effective assignment chain from the original patent proprietor to the Plaintiff is lacking."

Court Note: Clearly, to bring the within proceedings in Ireland, the matter of ownership is full-square in issue, with it being necessary to allege, *inter alia*, that IV II, as owner, is in a dominant position. In the German proceedings, the question of ownership is also full-square and centre. This is what counsel for IV, at the hearing of the within application, described as "the first reflection in the mirror of the German Proceedings".

101. The Defence later moves on to consider an issue as to whether the title to the patent has duly passed to IV II. It is necessary to mention what is in issue in this regard in order to understand better the next-quoted portion of the Defence. What Vodafone GmbH alleges in this regard is that a company by the name of Aware, Inc was the original proprietor of the patents in suit in Germany. Aware is said to have assigned the said patents to Daphimo Co. BV LLC. And the title to same is then said to have passed to IV II by virtue of a later merger transaction. It is in this context that the Defence states as follows:

"II

Legal assessment

*The Plaintiff does not have standing to sue since, due to the deficiencies of the assignment chain described [elsewhere in the Defence], it neither became the proprietor of the patent-in-suit nor effectively acquired any supposed claims of the companies Aware or Daphimo due to alleged use of the patent-in-suit.*

*1. By its demand for relief...the Plaintiff seeks determination that the Defendant is obliged to compensate the Plaintiff for 'any and all damage' allegedly suffered by...Aware...Daphimo...and...the Plaintiff".*

Court Note: What is being alleged in this regard is that the absence of legal standing means IV II cannot sue. By contrast, in the Irish Proceedings, it is necessary to claim that IV II enjoys the necessary proprietary rights. So whether IV II does or does not have the necessary proprietary rights is in issue in both the German Proceedings and the Irish Proceedings.

102. The Defence then proceeds under the heading "B. Regarding the patent-in-suit" to assert, *inter alia*, as follows:

*"With the present complaint, the Plaintiff is asserting infringement of the German part of [EP174] (hereinafter 'patent-in-suit'). The patent-in-suit bears the title 'Method and system for variable state length initialization for DSL systems'. The patent is based on a divisional application that mentions the application date of the parent application dated June 7, 2002 and claims the priority of [a stated] US patent application....*

*I.*

*Technical background of the patent-in-suit....*

*4. According to the patent-in-suit, it was already known to use variable length initialization states. [The Defence then details at length the claims made in the patent]....*

*II.*

*Problem and solution of the patent-in-suit*

*[i.e. the advancement on the prior art represented by the patented invention]....*

*4. It ought to be pointed out even now that this solution is not only apparent anyhow but was also already explicitly disclosed in the prior art....Before we come to that, however, we will address the construction of the claims and demonstrate that there is no patent infringement in the first place....*

*[Having considered in some detail the proper construction of the patent claims and various other aspects of the patent, including an alleged lack of novelty, the Defence proceeds as follows]*

*....Limitation of the asserted claims under antitrust law*

*The patent-in-suit is...according to the...Plaintiff...a standard-essential patent, which gives the Plaintiff a market-dominant position....Moreover, a FRAND commitment was made with respect to the patent-in-suit. Therefore, the claims for information and rendering of accounts as well as the claims for damages asserted by the Plaintiff are subject to limitations under antitrust law that have been disregarded by the Plaintiff...."*

Court Note: These are the types of issue that would be considered in the context of the Irish Proceedings, i.e. that the patent is a SEP and that a FRAND commitment was made.

*"Standard-essentiality of the patent-in-suit*

*In any case, according to the Plaintiff's submission, it has to be assumed that the patent-in-suit...has to be used in order to operate the standards ADSL2, ADSL2+ or VDSL2, thus, that the patent-in-suit is essential for each of these standards.*

*The Plaintiff introduces its statements regarding the alleged infringement of the patent-in-suit by stating that the Defendant operates DSL connections according to the ADSL2+ and VDSL2 standards and distributes DSL modems capable*

of operating in accordance with these standards and 'thereby' infringes the claims in dispute (cf. complaint, p. 21, paragraphs 3 and 4). In the infringement subsumption, the Plaintiff substantiates the alleged realization of the individual claim features in dispute only by referring to individual passages of the standard specifications regarding ADSL2+ and VDSL2....

In addition, it expressly states...[in] the statement of complaint that only the ADSL2+ and VDSL2 standards are relevant for the present proceedings, but that the patent-in-suit is also used by systems according to the ADSL2 standard.

*Dominant market position*

Assuming standard essentiality, the patent-in-suit confers a dominant market position

to the Plaintiff such that, when enforcing claims from the patent-in-suit, barriers under antitrust law are to be taken into consideration and particularly the scope of application of [inter alia] Art. 102 TFEU....

[Again, all of this would be in issue in the Irish Proceedings.]

....Especially two decisions of the European Commission from the recent past give a clear impression of the established practice of the European Commission, as far as it concerns the evaluation of the question whether a SEP conveys a market-dominant position to the respective proprietor. On the one hand...is the decision in ...Motorola v. Apple....

On the other hand...is the decision of the Commission in...Samsung v. Apple ...

.... Based on the standard resulting from the above-mentioned guidelines and decisions, the technology claimed by the patent-in-suit also constitutes a technology market of its own. This is because in any case according to statements of the Plaintiff, the patent-in-suit relates to a technology that is the subject matter of the current DSL standards (ADSL2, ADSL2+ and VDSL2). From the view of the other side of the market, this means that — both from the view of the DSL network operators and from the view of the DSL end customers — there is no technology that could be considered an equivalent substitute to this technology."

Court Note: Again, one can see in the foregoing the type of facts, evidence and matters that would fall to be pleaded in the Irish Proceedings.

"... Without access to the DSL standards, the Defendant as the network operator or provider of DSL services would not be able to offer a competitive product range on the DSL service market.

aa) In the Federal Republic of Germany, which is relevant in the present dispute, all network operators make use of the above-mentioned technologies for handling their DSL product ranges. In recent years, they have worked hard to advance network development; therefore, there is already full-area DSL coverage today.

bb) The core business of the Defendant and its competitors on the DSL service market is concluding DSL connection plans, i.e. granting network access for payment. However, without accessing the aforementioned technologies, the Defendant would no longer be able to participate in competition....

There is also 'lock-in' with respect to the DSL technologies to which the patent-in-suit is supposed to be essential....

As a mere precaution, we offer evidence for the entire above submission regarding the market-dominant position of the Plaintiff by obtaining an expert opinion."

Court Note: Again, one sees in the foregoing the types of matter that would fall to be assessed in the Irish Proceedings.

103. Lest there be any doubt as to the centrality of the FRAND issue in the competition law (or 'antitrust') context, the Defence moves on to state, *inter alia*, as follows:

"Existence of a FRAND declaration

The original patent proprietor or alleged legal predecessor of the Plaintiff. Aware, Inc declared towards the relevant standardization organization...that it undertakes to grant [licences]...under [FRAND]...conditions in any patents the use of which is required for fulfilling the ADSL, ADSL2+ and VDSL2 standards. Since – at least in the Plaintiff's opinion – the patent-in-suit is essential to these standards, this FRAND commitment is also valid for the patent-in-suit....

Obligation to grant licenses on FRAND terms also exists irrespective of the

existence of a FRAND commitment

However, even without a FRAND commitment...the Plaintiff as the proprietor of an (allegedly) standard essential patent would already be obliged to grant a license on FRAND terms...due to antitrust law alone....

*Limitation of the claim for damages*

The Plaintiff's obligation under antitrust law to grant licenses on FRAND terms inevitably results in a limitation of the asserted claim for damages.

a) In...[the] case that the patent is used, it would not be possible to assert any lost profit or skimming off of profits but it would merely be possible to demand damages in the amount of royalties in accordance with FRAND criteria.

(1) In this context, Kühnen...correctly states the following...[in Kühnen, T., "A Handbook of Patent Infringement", 8th ed., para.] 313):

[']Effects of the FRAND commitment on

the claim for damages

The fact that it is not possible to raise the objection of abuse of power against a complaint for rendering of accounts and damages being filed does not mean that the FRAND declaration of the proprietor of the IP right is legally irrelevant to the corresponding claims. The opposite is true, since the existing licensing commitment creates a substantive claim for the benefit of the infringer, which is obviously to be taken into consideration when determining how use actions that have taken place are to be charged and with regard to which data it is therefore necessary to render accounts in preparation. The duty assumed by the proprietor of the IP right of allowing anybody to exploit its patent conferring a dominant market position in return for a non-exploiting license reduces the claim for damages to precisely that FRAND license and the accompanying rendering of accounts to specifications necessary for calculating a license.[']

[Court Note: The court has referred previously above to the importance of reading paras. 313 and 314 of Judge Kühnen's learned treatise in tandem.]

*(2) Even if there is no FRAND commitment, the limitation of the claim for damages follows directly from the obligation under antitrust law to grant licenses on FRAND terms. This is due to the fact that if the party seeking a license has a claim to a license on FRAND terms, an unlimited claim for damages, also allowing lost profits or the skimming off of profits to be asserted, would be diametrically opposed to the claim of the party seeking a license or the obligation to contract under antitrust law and would effectively subvert it. Incidentally, it is not apparent why the proprietor of a SEP who does not make a FRAND commitment...should be put in a better position than a SEP proprietor who has made such a commitment.*

*b) However, by its demand for relief B., the Plaintiff seeks determination that the Defendant is obliged to compensate 'any and all damage'....However, in accordance with the limitation of the claim for damages under antitrust law which currently applies, the Plaintiff would at most be able to demand that it be found that the Defendant is under an obligation to pay damages in the form of royalties in accordance with FRAND criteria. Therefore, demand for relief B. cannot be granted in its present form....*

Limitation of the claim for information and rendering of accounts

*In accordance with the limitation of the claim for damages, the claim for information and rendering of accounts, which serves the purpose of calculating damages, is also to be limited to communicating the information necessary for calculating the claim for damages, i.e. for calculating FRAND royalties.*

*a) In this regard, we refer to the statements of Kühnen quoted above. Furthermore, the German Federal Court of Justice already found by decision dated April 11, 1989 [in Offenend-Spinnmaschine] that the patent proprietor only has a claim for information and rendering of accounts against a patent infringer under an obligation to pay damages to the extent to which the information requested is required for asserting its claim for compensation....In its decision dated February 2, 1995 [in Objektive Schadensberechnung]...the German Federal Court of Justice furthermore consistently decided that limitations of the possibilities of calculating the damage simultaneously also affect the scope of the alleged infringer's obligation to provide information and render accounts....*

*As a mere precaution, we state that, based on the applicable standard set by the [CJEU in Huawei]... and taking into consideration the facts outlined above, asserting the claim for injunctive relief from the patent-in-suit would be inadmissible, however, at least unfounded. Should the Plaintiff nevertheless assert the claim for injunctive relief in the further course of the proceedings, we shall submit on this in detail."*

Court Note: As is clear from the above-quoted text, FRAND is clearly of significance when one is looking at the scope of the relief that can be obtained in the German Proceedings. Indeed, the extract from Judge Kühnen's learned treatise makes clear that if the plaintiff's offer is FRAND and the counter-offer is not FRAND, one is entitled to claim damages and obtain a rendering of accounts. So FRAND is an issue that has been expressly raised with the Düsseldorf Court (though the evidence from Dr Lamping is that it could in any event consider this of its own volition). So when it comes to the averment of Ms Paschen, at para. 25 of her First Affidavit, that "It will be readily apparent that the proceedings that have been issued in Germany do not involve or relate to issues of FRAND licensing and, as such, do not involve or relate to the same subject-matter in cause of action as these intended proceedings", the court must, with every respect, admit to the greatest of scepticism, following all that it has now been told as to German law and the substance of the German Proceedings, that this is so, and also to its being, again with every respect, entirely unpersuaded by the next succeeding averment in that affidavit that "There is therefore no risk of conflicting judgments arising from this action and those in Germany".

## **XI. The Düsseldorf Court's Decision of 26th March, 2015**

104. By way of example as to the application by the Düsseldorf Court of Art. 102 TFEU in patent-infringement proceedings, this Court's attention has been drawn a decision of the Düsseldorf Court on 26th March, 2015, in what appears to be an untitled law-suit with the reference no. 4b O 140/13, in which the Düsseldorf Court observes, *inter alia*, as follows (the original text is in German):

*"The Claimant is addressee of the standard of Art. 102 TFEU, for it is able to control access to the application of the NFC technology in accordance with the standard due to the Claimant's exclusive legal position concerning the patent in suit (see above, statements regarding the standard essentiality of the patent in suit). The market-dominating position of the Claimant required for the application of Art. 102 TFEU, however, does not merely result from the legal position of the patent in suit alone. For not every standard-essential patent (SEP) creates market power of significance under antitrust law."*

105. Perhaps two points of interest arise from the last-quoted text. First, the relevance or potential relevance of Art. 102 TFEU is clearly inescapable in patent infringement proceedings involving an alleged SEP-holder, even where Art. 102 TFEU has not been pleaded (and in the German Proceedings it has been pleaded). Second, of passing interest (though not a point that this Court has to



decide upon in the within application), the existence of a SEP does not per se yield a dominant position on the part of the patent-holder, i.e. the mere possession of a SEP does not relieve a court of determining by reference to the standard competition law tests whether the SEP-holder occupies a dominant position, and this of course offers another point of overlap, or, to borrow from the phraseology of counsel for IV, a "reflection" between the German Proceedings and the Irish Proceedings.

## XII. Ms Martin's First Affidavit

106. Ms R Martin is the General Counsel and Group Company Secretary of Vodafone Group and a member of the Vodafone Group Executive Committee. In her affidavit of 24th October, 2016, she makes a number of averments that are of interest. These averments are quoted hereafter, and some associated observations made by the court:

[1] *"The issues that form the basis of these proceedings are ones of competition policy and law and centre on [inter alia]...a decision of the Court of Justice...[in] Huawei...That judgment concerns the position of dominance that is conferred on a holder of a standard essential patent ('SEP') and the possibility of abuse of such dominance by steps such as applications for injunctive relief or the refusal to offer licences on FRAND terms....In the course of its judgment, the CJEU contemplates the possibility that there can be proceedings related to the fixing of FRAND rates for licences of SEPs in parallel with proceedings in which the infringement and validity of the same patents is denied by the would-be licensee. The possibility of seeking third party involvement in the fixing of FRAND rates is also envisaged by the judgment of the Court."*

Court Note: As mentioned previously above, *Huawei* is not authority for the proposition that patent infringement can be addressed in one jurisdiction and associated licence terms can be fixed in another jurisdiction. (Nor indeed it is authority for the opposite proposition). It is 'but' authority for the proposition (in the context of injunction proceedings, but leaving that aside for one moment) that a party can challenge patent infringement and dispute patent validity on the one hand and simultaneously conduct negotiations to settle FRAND on the other. Again, that may seem a straightforward proposition but it was important that it be established by the CJEU because otherwise it could be asserted by a dominant undertaking that 'You have not accepted infringement, you have not accepted validity, so you can hardly complain that we have not agreed a licence; and given that there is no licence we will now sue you for general damages unconstrained by such licence'. The CJEU has addressed that problem in the manner just identified but it has gone no further and done no more than that.

[2] *"The following are key considerations in evaluating the true nature of these FRAND Portfolio Proceedings....[i] [T]he task facing this Honourable Court [i.e. the Irish court] is premised on the right of an entity such as Vodafone to have access to essential technology such as is alleged to be represented by the Portfolio and to have such access without being subject to negotiating conduct or rates which amount to abuses of the dominant position of the patent holder/licensor (in this case, the Defendants)....[ii] [T]hese proceedings are directed towards the setting of the rate for a licence for the use, by Vodafone, of the Defendants' patents on FRAND terms and not towards obtaining a ruling on whether any given patent is valid or has been infringed....[iii] [T]he task of determining a FRAND rate for a portfolio of patents is a specialised and technical exercise which will involve a variety of inputs, including by means of expert evidence, in relation to a variety of potentially relevant factors....[iv] [T]he process of arriving at a FRAND rate for a portfolio of patents will not necessarily be the same, or arrive at the same rate as, a process of determining a FRAND rate for individual patents....[v] [O]n 25 March 2016, IVIL (an Irish company) initiated a process of FRAND negotiations for the Portfolio with the issue of an offer in Ireland, from its Irish address, of a licence for the Portfolio, and this is the factual and legal starting point for these proceedings; the factual and legal end point of these proceedings will be the determination by the Court of the FRAND rate for the licensing of that Portfolio to Vodafone....[vi] [I]t is clear from the parties' positions on the relevant FRAND Portfolio correspondence, for the purpose of the FRAND negotiations (and therefore for the purpose of these proceedings which derive from the FRAND negotiations), IVIL will proceed on the basis that it bears a FRAND obligation....[vii] [T]here are no proceedings pending, threatened or in being in any jurisdiction other than Ireland in which the FRAND rate for the Portfolio will be determined....It follows from the foregoing that none of the invoked *lis alibi pendens* provisions of the Brussels Regulation apply at all to require (or empower) this Court to stay the FRAND Portfolio Proceedings in favour of the German Infringement Proceedings."*

Court Note: Re [i]: if this were the task of this Court, it is difficult to see how it could properly be discharged given that Vodafone GmbH is, to borrow from the wording of Ms Paschen's first affidavit, "reserving its position as to [inter alia]...essentiality...and...alleged infringement". Re. [iii]: this is true but it is a matter that the German court can engage in. Re [iv]: the phraseology "not necessarily the same" offers slim comfort to a court such as this Court engaged in the jurisdictional exercise that it is required to undertake in the within application. In truth, the court cannot see on the evidence before it that there is any basis for any difference of approach arising. Re. [v]: these matters have been before the Düsseldorf Court since last September; as will be seen from the court's consideration of relevant case-law later below, specifically the decision of Court of Appeal of England and Wales in *Stribog*, it suffices to give the court of another EU member state jurisdiction that a matter which was not in issue at the commencement of previous proceedings is later put in issue before that court in those proceedings. Re [vi]: noted. Re. [vii]: as is now abundantly clear, it is not true that there are no such proceedings; FRAND is full square and centre in the German Proceedings; indeed it might perhaps be contended, rightly or wrongly, that the Irish Proceedings have been commenced in something of a bid to hobble the Düsseldorf Court in how it proceeds, so that when that court comes to assess, by reference to FRAND, such damages as may be payable in the event of infringement having been found to occur, it will be told 'Tread carefully, for we have commenced separate proceedings in Ireland and you must respect the jurisdiction of the Irish courts in this regard and at this time.'

[3] *"[T]he outcome of the German...Proceedings – whatever that outcome may be – could only bear upon the [Irish Proceedings]...as a factor that may be relevant to one of the inputs into the overall process of determining a FRAND rate for the Portfolio; this is the essence of reconcilability and not irreconcilability."*

Court Note: If the court understands the thrust of this averment correctly it is that whichever proceedings get on first, the decision in those first-heard proceedings will assist the other court. Leaving aside for a moment the fact that such a proposition does not, as will be seen later below, inform any of the relevant case-law concerning the Brussels Regulation, and even allowing for that natural comity which the courts of one jurisdiction so often extend to the courts of another jurisdiction, it is always possible that the courts of that other jurisdiction may, for whatever reason, say of a prior court decision from a different jurisdiction, 'That is a decision with which we fundamentally disagree'. So, in the within case, even if the Irish Proceedings were to come on first, the Düsseldorf Court could, for entirely reasonable reasons decide that it profoundly disagreed with such decision as might issue from the Irish court. If, for example, that decision was to

be that the FRAND rate should be assessed on a revenue basis and the Düsseldorf court was instead to prefer a FRAND rate assessed on an equipment basis, the end result would be two irreconcilable judgments from the courts of two EU member states, which is the very end that the Recast Brussels Regulation seeks ever to avoid.

[4] *"The purpose of [the Irish Proceedings]...is to arrive at the rate for the licence of a portfolio of the German designations of sixteen European Patents...which is FRAND as between Vodafone and the Defendants."*

Court Note: The court recalls in this regard Relief No. 5 as sought in the plenary summons, being (insofar as neither the IV Offer nor Vodafone's Counter-Offer were FRAND) a declaration as to the terms and conditions between the parameters of those offers upon which the licensing of the patents in issue for use in Germany would be FRAND. That relief is not the same as what Ms Martin refers to in the above-quoted text.

[5] *"While I understand this is more appropriately a matter of legal submission [it is], I believe it is important to emphasise here that the Court of Justice in its judgment in Huawei determined that there can be parallel processes in which the holder of a SEP seeks the rendering of accounts or an award of damages for the alleged infringement of patents and in which the alleged infringer challenges the validity or essentiality of the patents, while the parties also engaged in a process leading to the grant of a license on FRAND terms (such as that described in paragraph 68 of the Court's decision). In paragraph 69 of the decision the Court of Justice held that, '...having regard, first, to the fact that a standardisation body such as that which developed the standard at issue in the main proceedings does not check whether patents are valid or essential to the standard in which they are included during the standardisation procedure, and, secondly, to the right to effective judicial protection guaranteed by Article 47 of the [EU] Charter, an alleged infringer cannot be criticised either for challenging, in parallel to the negotiations relating to the grant of licences, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future.'*

Court Note: The court has addressed at point [1] what the CJEU in *Huawei* did and did not decide.

[6] *"The Court of Justice has...expressly stated that the would-be licensee cannot be criticised for challenging the validity of a patent or its essential nature or whether the patent is in fact being infringed, while negotiations related to the grant of a licence are on-going. Due to the particular importance of essential technology being available to those who need it to implement standards imposed for manufacturing or the provision of services, the balance that has been struck in the EU, the US and elsewhere, is that the SEP holder must grant licences for the use of the patented technology and must do so on FRAND terms."*

Court Note: The court has addressed at point [1] what the CJEU in *Huawei* did and did not decide.

[7] *"It is also important to note that in making the Licence Offer, IVIL purported to act on the basis that it was under an obligation to make a FRAND offer as the patents were SEPs. It accordingly made the Licence Offer with a view (i) to complying with its contractual FRAND obligation; and (ii) to avoiding being held to abuse its dominant position in the markets relating to the patents the subject of the offer. Vodafone's case in the FRAND Portfolio Proceedings is that the Licence Offer was not FRAND-compliant and that the manner in which the Offer was made and the subsequent failure of IVIL to make or accept a proper FRAND-compliant offer constitutes an abuse of dominance (in addition to being in breach of the FRAND-licensing obligations associated with the patents in question)."*

Court Note: The court notes in particular the portion of the above text from "...and the manner in which..." onwards, for that is precisely what is alleged in the German Proceedings.

[8] *"I say and believe that the issues for determination in these FRAND Portfolio Proceedings concern the FRAND process for the Portfolio and arise from the failure or refusal of IVIL and IV II to make an offer to Vodafone on FRAND terms."*

Court Note: Again, one of the matters to be argued in the German Proceedings is that the process was wrong; yet Ms Martin avers in the above-quoted text that, in the Irish Proceedings also, the issue of deficiencies in process will be a matter for consideration.

[9] *"The German Infringement Proceedings as issued do not include IVIL as a party, they pre-date the Licence Offer and do not therefore refer to or encompass that Licence Offer or the process to which it relates. No determination is sought (by any party to the German Infringement Proceedings) that the Licence Offer or Counter-Offer conform to FRAND principles. More significantly, no determination is sought by either party of the FRAND rate for a licence between Vodafone and the Defendants of the Portfolio. As regards damages for infringement, in the German Infringement Proceedings, IV II states that it cannot quantify the loss suffered. In both the [EP] 174 and [EP] 20 Infringement Complaints, IV II estimates the value of the claim at €2,000,000 and states that it will further clarify the facts relevant to estimating the value of the dispute and IV II reserves the right to alter the preliminary estimate. It does not claim that damages must be calculated by reference to a FRAND rate. It does not refer to FRAND at all nor refer to any of the past negotiations with the Vodafone group."*

Court Note: It is a very real practical challenge in proceedings involving masses of detail to ensure that all the pleadings and affidavit evidence emanating from one side chime perfectly; this problem is perhaps even more pronounced where there are related proceedings in different jurisdictions and where those jurisdictions have different official languages; however, the court cannot but note the, at least ostensible, dis-consonance between the above-quoted averment (which features in an affidavit sworn for Vodafone GmbH in October 2016) and the Defences lodged by Vodafone GmbH in the German Proceedings in July 2016.

[10] *"I understand that the question of fixing a damages rate for infringement of the two patents by reference to the appropriate FRAND royalty for those two patents is not and cannot be a part of the present German...Proceedings; such issues if they were ever to be litigated could only arise in future proceedings and *lis alibi pendens* of course cannot be invoked to stay present proceedings by reference to further potential proceedings."*

Court Note: The first part of the above-quoted text is a matter for legal submission; however, as should now be clear it is, with every respect, wrong, a conclusion which brings, *inter alia*, the consequence that the second part of the sentence does not therefore require to be engaged with by the court.

[11] *"[E]ven if a German Court was at some future point to look at fixing a damages rate for infringement of the two patents by reference to an appropriate FRAND royalty for those two patents, that would not be in any way irreconcilable*

*with a FRAND rate being fixed for a Portfolio that includes the two patents because market practice in relation to the fixing of rates for a portfolio of patents involves different considerations to the fixing of a rate for individual patents and in any event, the Court fixing the portfolio rate could have regard (if it deemed appropriate) to the rate viewed by another Court or body as appropriate for individual patents included in that portfolio."*

Court Note: This is in effect a variation on the "not necessarily the same" point considered at [2][iv] above; moreover, the point made would perhaps be more sustainable were the "different considerations" specified (which they are not). Again, the court cannot see on the evidence before it that there is any basis for any difference of approach arising.

*[12] "By the Statements of Defence delivered by Vodafone in the German...Proceedings, the case that is made by Vodafone is that the claims for damages, for information and for rendering of accounts are subject to limitations due to the fact that IV II is subject to FRAND obligations. The primary FRAND issue that is raised by Vodafone's defence is whether IV II is subject to a FRAND obligation. The case made by Vodafone is that, as a result of the existence of FRAND obligations, IV II cannot assert or claim certain categories of damages, such as lost profits or skimming off of profits. IVIL through its actions in making the FRAND Offer of 25 March 2016 proceeds on the basis that it is subject to FRAND obligations."*

Court Note: Notwithstanding the passing reference to the Defences in the German Proceedings, it is notable that the above-quoted text neither seeks to, nor does, explain why what is being sought will not involve the German court dealing with FRAND.

*[13] "To the extent that FRAND issues are raised by Vodafone in the German...Proceedings, what Vodafone seeks is in the nature of a declaration that IV II is subject to a FRAND commitment, which in turn limits the categories of reliefs to which IV II is entitled (and in particular limits the scope of the information which would then be provided on the rendering of an account for infringement) in respect of the two patents in issue in those proceedings. This is entirely consistent with both IVIL's and Vodafone's actions in the FRAND Portfolio offer process which underpins the...[Irish] Proceedings; there is no request for the German Courts to determine the FRAND rate for a licence of the Portfolio as between Vodafone and the Defendants.... Indeed, it must be emphasised that IVIL (the licensor of each of the SEPs within the Portfolio) is not party to the German...Proceedings and those proceedings concern only the German designations of two of the sixteen patents. Vodafone is prepared to enter into a licence agreement at a FRAND rate for the Portfolio. IVIL is the only entity which has purported to have the authority to grant licences in respect of any of the patents in the Portfolio. I therefore say and believe that it can only be in proceedings to which IVIL is party and which concern the entire Portfolio, that questions of the appropriate FRAND rate can be properly assessed and determined. That is what...[the Irish] Proceedings seek to have determined."*

Court Note: The IVIL/IV II dichotomy of identity is an aspect of matters to which the court returns in some detail later below.

*[14] "As mentioned above, the factual context of the...[Irish] Proceedings concerns the process of engagement between Vodafone and IVIL in relation to the licensing of the SEPs in the Portfolio. The central facts are the terms of the Licence Offer, the Counter-Offer, the conduct of IVIL in the negotiating process and the appropriate FRAND rate for a licence of the Portfolio as between Vodafone and the Defendants. The...[Irish] Proceedings do not require rulings on infringement, or whether the patents are valid or essential."*

*[15] "If these proceedings cannot continue to a resolution before the courts of IVIL's domicile, Vodafone is deprived of the right to bring proceedings: (a) challenging the abuse of a dominant position arising from the manner in which IVIL has conducted the FRAND Portfolio process to date; or (b) seeking to get a determination of the FRAND rate for the full Portfolio to which it desires access."*

Court Note: This, with respect, is not necessarily true. An abuse of dominance claim of the sort now made in Ireland could conceivably be made in Germany, though the court acknowledges that no such claim has been made there to this time.

*[16] "[T]he Court of Justice in Huawei envisaged the possibility that a party such as Vodafone can challenge the validity or essentiality of patents in infringement proceedings, while also conducting negotiations for the grant of a licence to use the same patents. In the particular and unique context of SEPs, this is deemed not to be irreconcilable, but is a course of conduct for which entities such as Vodafone cannot be criticised, according to the CJEU. It is similar to the fact that the Defendants appear to seek damages in Germany on the basis that there are no FRAND obligations, while also issuing a licence offer in Ireland on the premise that they are subject to FRAND obligations in respect of the Portfolio. This highlights that the two sets of proceedings have entirely different premises of fact and law and different objectives, and any seemingly different decisions which may emerge can be reconciled on that basis."*

Court Note: The court has addressed at point [1] what the CJEU in *Huawei* did and did not decide.

*[17] "Third, while there is some uncertainty as to the approach that will be taken by the German Courts in relation to some issues that may or may not arise in the German...[P]roceedings that would conflict with the decisions to be made by this Honourable Court [i.e. the Irish court], as any differences in decisions may be reconciled by reference to the different legal and factual situations in the proceedings, the different assumptions being made, and the different objectives being pursued. For example, the exercise of valuing a portfolio of patents is vastly different to that of valuing individual patents and there may be good reasons for deciding not to apply the same outcomes to each other. This would not point to irreconcilability but rather a different answer to a different question, which would be logical and explicable."*

Court Note: Even the acknowledgement of uncertainty in the above-quoted text suffices, when one has regard to the decision of the House of Lords in *Sarrio* (considered later below) for the court to decline jurisdiction at this time.

107. Ms Martin closes her affidavit with a 'wrap-up' series of averments that merely bring together various points that have been made elsewhere in her affidavit, that are touched upon by the court above and that do not require separate consideration here.

### **XIII. The *Sisvel* Decision**

108. Shortly before the hearing of the within application, Dr Müller-Stoy became aware of a decision of the Düsseldorf Appeal Court made on 17th November, 2016, in case no. I-15 U 66/15 between two enterprises, *Sisvel* and *Haier*, which decision has been referred to throughout the hearing of the within application as 'the *Sisvel* decision'. The following observations of the Appeal Court in the *Sisvel* decision appear of especial relevance in the context of the within application (the original text is in German):

"I.

*Both parties are advised of the following...*

*3...[T]he statement of complaint must be deemed to constitute the requisite infringement notice. Generally speaking, the declarations demanded 'prior to assertion in court' according to the CJEU ruling [in Huawei] can presumably be supplied subsequently, because default presumably does not result in either material or procedural preclusion....*

*5...[T]he Plaintiff must submit, in accordance with the principles established in the CJEU ruling, a licence offer on FRAND terms....Generally, such a licence offer must be made prior to the proceedings; however...it can also be made in the course of the legal dispute....*

*The standard of assessment is not only whether or not the offer includes the essentialia negotii of a licence agreement and is not evidently in violation of FRAND terms. Instead, it must be positively determined that the licence offer is a licence offer on FRAND terms. However, there may be multiple contractual designs involving different licence terms and, in particular, a range of royalty rates that must be qualified as...[FRAND] (Court of Appeals [Oberlandesgericht – OLG] of Karlsruhe, decision of 8 September 2016 – 6 U 58/16).*

*This applies all the more as 'fair and reasonable' only means that it is impermissible to make the party willing to take a licence an offer on terms that exploit the dominant market position. The terms must be reasonable and must not be exploitative. 'Non-discriminatory' means that the patent proprietor treats the party willing to take a licence in the same manner as all other parties willing to take a licence and, thus, offers the party a licence on comparable terms or, in the case of unequal treatment, there are good reasons for this, which must be set out in a comprehensible manner....*

II.

*The Plaintiff is advised of the following:*

*1. At this point in time, the Division is unable to determine that the licence offers dated [...] meet the requirements imposed by the CJEU and are FRAND-compliant....*

*[W]hat must presumably be specifically set out...is all (calculation) factors that contribute to the royalty rate offered and which show, and on the basis of which it can be verified, that the specific offer is neither discriminatory nor exploitative. In the case at hand, this presumably requires in particular an explanation as to specifically how the future licence fee and the lump-sum royalty demanded for the past are composed, for example according to the various markets and/or the market significance of the patents included.*

*2. With respect to the offer that must now be resubmitted, the following in particular must be borne in mind....*

*b) The determination of a non-discriminatory licence offer, in particular with respect to the amount of the licence fee, requires specific factual submissions on the existing agreements with third parties....*

*c)....*

*The selection of the patents to be included in the 'proud list' must be plausibly explained.*

*Individual patents from a patent family may require supplementary explanations if their claim wording differs and the Defendants demonstrate in a concrete manner that and why this leads to significantly deviating scopes of protection, with the result that they do not use these patents and that this directs a noticeable portion of the acts of use that are overall subject to licensing....*

IV.

*The Plaintiff is given the opportunity to comment on the Court's notices by 19 December 2016 and to submit a licence offer on FRAND terms. It is ordered to submit the patent specifications and standard documents relating to the so-called 'proud list'.*

*Subsequently the Defendant will be given the opportunity to comment on the Court's notices, the pleading, and any licence-offer the Plaintiff may have made, and to submit a counter-offer on FRAND terms by 19 January 2017."*

109. The *Sisvel* decision, it seems to the court, is decidedly unhelpful to Vodafone GmbH. It confirms that: (1) a FRAND offer can be made after filing an infringement suit;<sup>[1]</sup> (2) it is necessary for the German court to make a positive determination that an offer contains FRAND conditions (which seems to run rather contrary to Ms Martin's averment in her second affidavit that "[T]he German Court seised of the German...Proceedings is very unlikely to consider the question of whether the offer or counter-offer are FRAND-compliant. Further, even if these questions were to be considered, it would be at a very cursory level..."); (3) it is usual in the telecommunications industry to exchange claim charts for only a sample of patents.

[1] With regard to (1), Dr Keller observes, in his third affidavit, that the order in question is an "informational" court order "subject to reconsideration by the court" and, he contends, "entirely at odds with the intention of the CJEU in...*Huawei*". But what he does not deny is that the Düsseldorf Court, at least for now, is clearly satisfied that one can make a FRAND offer after filing an infringement suit.

110. In his third affidavit, which is concerned mainly with the *Sisvel* decision, Dr Keller avers, *inter alia*, as follows, under the heading "Positive Determination of FRAND status":

*"10. Dr Müller-Stoy states [in his fourth affidavit] that Sisvel 'confirms that it is necessary for the German Court to make a positive determination that the offer contains FRAND conditions, contrary to Ms Martin's averments that the German Court, if it is to assess FRAND, will only do so on a 'cursory' basis'. With due respect to Dr Müller-Stoy, this is to conflate two separate issues. It is stated in Sisvel that:*

*'[t]he standard of assessment is not only whether or not the offer includes the essentialia negotii [i.e. the minimum*

contents to be legally effective] of a licence agreement and it is not evidently in violation of FRAND terms. Instead, it must be positively determined that the licence offer is a licence offer on FRAND terms. However, there may be multiple contractual designs involving different licence terms and, in particular, a range of royalty rates that must be qualified as fair, reasonable and non-discriminatory (Court of Appeals [*Oberlandesgericht* – OLG] of Karlsruhe, decision of 8 September 2016 – 6 U 58/16)’

11. *This statement confirms that the Düsseldorf Appeals Court is of the view that, when considering whether a patentee has complied with its FRAND commitments, the Court must make a positive determination of whether the offer is FRAND. It obviously does not contradict Ms Martin’s statement at paragraph 7 of her second affidavit that any such assessment would be cursory; indeed this statement was based on the Düsseldorf Appeal Court’s statement (as relied upon by Dr Müller-Stoy...) that determining if an offer is FRAND requires ‘going into detail regarding every single IP right included in the portfolio (even if only in the form of bullet points)...Ms Martin’s statement was further based on IV’s failure to file any information setting out how the majority of the patents in the Portfolio are said to be infringed or any comparator licence agreements...in the German...Proceedings, so as to enable even such a cursory assessment.’*

111. It seems to the court to be a matter of some significance that Dr Keller should aver and accept that “*the Düsseldorf Appeals Court is of the view that, when considering whether a patentee has complied with its FRAND commitments, the Court must make a positive determination of whether the offer is FRAND.*” Moreover, the court struggles to see that this view on the part of the Düsseldorf Appeals Court “*obviously does not contradict Ms Martin’s statement at paragraph 7 of her second affidavit that any such assessment would be cursory*”. What the Düsseldorf Appeals Court states in *Sisvel*, and clearly states, is that an examination of a type that cannot properly be described as “*cursory*” must be undertaken, “*not only*”, to borrow from the text of the decision in *Sisvel*, to determine “*whether or not the offer includes the essentialia negotii of a licence agreement*” but so that it can be “*positively determined that the licence offer is a licence offer on FRAND terms*”; whether or not the offer is FRAND is a matter on which the Irish court is likewise being asked to make a positive determination in the Irish Proceedings.

112. Under the heading “*Substantiating the Alleged Infringement – Claim Charts*”, Dr Keller avers as follows:

“13. Dr Müller-Stoy asserts that *Sisvel* ‘confirms it is usual in the industry to exchange claim charts only for a sample of patents’. As Vodafone has made clear in correspondence...there is no dispute between the parties as to industry practice when companies are engaged in amicable negotiations for the licensing of large portfolios containing hundreds, or thousands, of patents, such as the portfolio at issue in *Sisvel*. That industry practice is explained by the Court in *Sisvel* to require the provision of claim charts for ‘about 10 to 15’ patents, this being because provision of claim charts for hundreds of patents is not generally practical.

14. However, IV’s Portfolio contains only 16 patent families and it is difficult to see why claim charts for each have not been provided to Vodafone or the German Court. The failure to provide the German Court with claim charts (or any information whatsoever regarding alleged infringement) for the majority of the Portfolio is also directly contradictory to the Düsseldorf Appeal Court’s Order...which states that assessing whether an offer for a portfolio of patents is FRAND ‘generally requires going into detail regarding every single IP right included in the portfolio’. IV has been aware of this requirement for a number of months and has not provided the relevant claim charts to Vodafone (despite repeated requests) or to the German Court.”

113. As mentioned previously above, the degree of information provided by IV and whether it is adequate is hotly contested between the parties, with IV contending that it is entirely adequate and proper, and any lack of information can, as indicated previously above, be remedied in any event. Whether or not the information supplied to the Düsseldorf Court is adequate for the purposes of that court is not, of course, a matter for this Court; one will look long and hard in the case-law relating to the Recast Brussels Regulation to find a case where a court is asked to decline jurisdiction based on whether the court first seised has or has not sufficient evidence before it to deal with the issues that it is asked to adjudicate upon; for that is an irrelevance to the issue of jurisdiction. Suffice it for this Court to note that Vodafone GmbH, with every respect, cannot, to borrow a colloquialism, ‘have its cake and eat it’, i.e. it cannot contend that the Düsseldorf Court does not have sufficient information before it to determine FRAND compliance and also contend that FRAND compliance is anything less than full square and centre at issue in the German Proceedings, as indeed it is in the Irish Proceedings.

114. Dr Keller moves on to aver as follows:

“15. *Sisvel* states that ‘the selection of the patents to be included in the ‘proud list’ [in effect, a representative sample of patents] must be plausibly explained’. As explained previously by Vodafone...the information provided by IV in relation to 6 patents is not uniform, is materially incomplete and is not consistent with common practice in the industry. The Plaintiff is only able to carry out an analysis of the alleged infringement of three of the patents, namely, the two patents in the German ...[Proceedings, i.e. EP174 and EP20]...by virtue of the information in the two Infringement Complaints and EP 1 021 901 being the only patent for which material approaching the detail of a full claim chart has been provided following a request by the Plaintiff. At the same time, material was provided by the First Defendant in relation to three other patents...but that material is inadequate to allow the Plaintiff to assess whether it infringes those three patents. Furthermore, as previously explained, IV has not adequately explained why the six patents have been chosen as representative of the portfolio”,

continuing as follows, under the heading “*Comparator Licence Agreements*”:

“*Sisvel* makes clear that a German Court cannot make a determination that an offer is on FRAND terms unless the patent-holder has made ‘specific factual submissions on the existing agreements with third parties’ which must include ‘information on what companies – to be specified – took a licence and on what specific terms, and what the significance was in the relevant [market]’. This requirement extends to encompass licence agreements concluded by the patent-holder’s predecessor in title ‘which mean that the aforementioned burden of statement also extends to the content of these licence agreements.’”

115. Notable in the foregoing, especially notable perhaps in the light of where Vodafone started from in the within proceedings, is the acknowledgement that the Düsseldorf Court will not only look at the patents that are the subject of the alleged infringement, not only will it look to the patent portfolio, but it will also consider the issue of FRAND in the context of licence agreements. All of this seems, with every respect, utterly irreconcilable with, for example, the assertion of Ms Martin in her second affidavit that “[T]he German Court seised of the German...Proceedings is very unlikely to consider the question of whether the offer or counter-offer are FRAND-compliant. Further, even if these questions were to be considered, it would be at a very cursory level...”.

116. It appears to the court that, at the least, the following conclusions can confidently be asserted following the issuance of the *Sisvel* decision:

- (1) the Düsseldorf Court will have to consider the licensing offers exchanged between IV and Vodafone GmbH if it applies the *Sisvel* principles;
- (2) the Düsseldorf Appeal Court does not require a SEP-holder to submit an infringement notice and a FRAND offer prior to filing an infringement suit;
- (3) the Düsseldorf Appeal Court allows parties to file additional information and/or FRAND offers if it considers that previous information and/or FRAND offers were insufficient;
- (4) the Düsseldorf Appeal Court contemplates that courts can determine whether FRAND offers were exchanged even if infringement information has been provided only for a sub-set of patents;
- (5) a patentee has to provide licences with third parties only if certain additional requirements are met.

117. Whilst it is technically possible that the Düsseldorf Court may, there is no credible reason to believe that it will, depart from the decision of the Düsseldorf Appeal Court in *Sisvel*; certainly no credible, logical reason has been advanced before this Court as to why such a departure can reasonably be anticipated in favour, for example, of such alternative standard as may be applied by the Mannheim Regional Court.

#### **XIV. Some Observations**

118. Is it possible to draw together the various strands of dispute between the parties and arrive at some preliminary observations? It seems to the court that, at the least, the following observations might safely be made:

- (1) the first affidavit of Ms Paschen asserts, in effect, that FRAND issues do not arise in the context of the German Proceedings;
- (2) it is clear, *inter alia*, from Judge Kühnen's textbook, that FRAND will be of concern to the Düsseldorf Court;
- (3) FRAND cannot but be relevant in the German Proceedings given that it has been raised as an issue by Vodafone;
- (4) FRAND can, per Dr Lamping, be raised by the Düsseldorf Court of its own motion;
- (5) whether or not the Düsseldorf Court will move on in the second set of proceedings to fix a FRAND rate is beside the point; FRAND is an issue in the first set of proceedings;
- (6) *Sisvel* offers the strongest support for a number of probabilities as regards the likely actions of the Düsseldorf Court, none of them helpful to Vodafone, viz. that that court:
  - (i) will have to consider the licensing offers exchanged between IV and Vodafone GmbH;
  - (ii) will not require a SEP-holder to submit an infringement notice and a FRAND offer prior to filing an infringement suit;
  - (iii) will allow parties to file additional information and/or FRAND offers if it considers that previous information and/or FRAND offers are insufficient; and
  - (iv) will determine whether FRAND offers were exchanged even if infringement information has been provided only for a sub-set of patents;
- (7) the Düsseldorf Court can and will look at the portfolio of patents if it is looking at FRAND (a point of significant distinction between what was advised to the court at the ex parte stage and what it now knows).

#### **C. APPLICABLE LAW AND AUTHORITIES**

##### **XV. The Recast Brussels Regulation: Articles 24, 29 and 30**

119. It will be recalled that by notice of motion dated 15th September, 2016, each of IVIL and IV II seek, *inter alia*, the following reliefs: (1) an order pursuant to Art. 29(3) of the Recast Brussels Regulation declining jurisdiction in the within proceedings in favour of the courts of Germany, together with, if necessary, a stay on the within proceedings pursuant to Art. 29(1) of same; (2) an order pursuant to Art. 30(2) of the Recast Brussels Regulation declining jurisdiction in the within proceedings in favour of the courts of Germany; and (3) in the alternative, a stay on the within proceedings pursuant to Art. 30(1) of the Recast Brussels Regulation. As will be seen hereafter, although there is no relief sought under Art. 24 of the Recast Brussels Regulation, IV has nonetheless sought to pray that provision in aid in the course of its submissions. Articles 24, 29 and 30 of the Recast Brussels Regulation provide, *inter alia*, as follows:

##### **"Exclusive jurisdiction**

##### **Article 24**

*The following courts of a Member State shall have exclusive jurisdiction, regardless of the domicile of the parties...*

*(3) in proceedings which have as their object the validity of entries in public registers, the courts of the Member State in which the register is kept;*

(4) in proceedings concerned with the registration or validity of patents, trademarks, designs, or other similar rights required to be deposited or registered, irrespective of whether the issue is raised by way of an action or as a defence, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of an instrument of the Union or an international convention deemed to have taken place.

Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction in proceedings concerned with the registration or validity of any European patent granted for that Member State”.

### **Lis pendens – related actions**

#### **Article 29**

(1) Without prejudice to Article 31(2), where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seised shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seised is established.

(2) In cases referred to in paragraph 1, upon request by a court seised of the dispute, any other court seised shall without delay inform the former court of the date when it was seised in accordance with Article 32.

(3) Where the jurisdiction of the court first seised is established, any court other than the court first seised shall decline jurisdiction in favour of that court.

[Court Note: The court notes the mandatory nature of Art. 29.]

#### **Article 30**

(1) Where related actions are pending in the courts of different Member States, any court other than the court first seised may stay its proceedings. [The court notes that the power arising under Art. 30(1) is a discretionary power to stay proceedings.]

(2) Where the action in the court first seised is pending at first instance, any other court may also, on the application of one of the parties, decline jurisdiction if the court first seised has jurisdiction over the actions in question and its law permits the consolidation thereof. [The court notes that the power arising under Art. 30(2) is a discretionary power to decline jurisdiction.]

(3) For the purposes of this Article, actions are deemed to be related where they are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.”

[Court Note: Art. 30 is not constrained, like Art. 29, by references to “the same cause of action” and “the same parties”. The court need ‘merely’ be confronted with “related actions”, as defined in Art. 30(3), for the discretionary powers in Art. 30(1)/(2) to arise. When analysing purportedly related actions to determine whether they are in truth related for the purposes of Art. 30(3), the court may rightly look to the entirety of the pleadings, to the claim, the defence, to all that is put before the respective courts in the respective proceedings.]

120. In passing, the court notes that Vodafone GmbH has sought to cast the within proceedings as involving an innovative area of the law at the crossroads between patent law and competition law. In this regard, the court has been referred, *inter alia*, to the judgment of Birss J. in *Unwired Planet*. That judgment, as mentioned previously above, issued in a set of patent infringement proceedings in which competition law issues, including alleged abuse of dominant position were raised. In the course of his judgment, Birss J. observed as follows, at para. 29:

*“This is a developing area of law and practice, with wide ramifications. There are three legally relevant ways of looking at licence terms offered by a patentee or advanced by a defendant in the context of standard essential patents and ETSI. All three contexts involve considerations of fairness, reasonableness, and non-discrimination, i.e. FRAND, but although that expression is used in all three contexts, it is necessary to distinguish between them. One context is compliance with competition law. A second is compliance with the contractually enforceable obligation to ETSI in terms of the ETSI declaration and the IPR policy. The third context is directed to granting and refusing injunctions. One could describe the third context as being concerned with whether licence terms are ‘equitably refusible’. In other words are the terms on offer such that an injunction would be granted if the defendant refused to accept them? Conversely, are terms proposed by the defendant such that an injunction would be refused to accept them? The third context is not necessarily only concerned with the first two contexts since it will also relate to the exercise of the court’s discretionary power to grant injunctive remedies. Even if a patentee is not contractually obliged by the ETSI IPR Policy to accept FRAND terms offered by a defendant, perhaps a court might refuse to grant an injunction in such a case.”*

121. All of the foregoing is, if the court might be forgiven a respectful observation, entirely true. But the within application is focused on a somewhat different dimension of matters. This is a purely jurisdictional application. The court is confronted with the Irish Proceedings; the Düsseldorf Court is confronted with the German Proceedings. The issue now arising is how, jurisdictionally, matters are to continue hereafter. In resolving that issue, the court must have regard to the provisions of the Recast Brussels Regulation, and the principles arising from and in relation to that Regulation, most notably that the giving of irreconcilable judgments by the courts of the different EU member states is to be avoided, with such avoidance falling to be realised, *inter alia*, in the knowledge of such proper distinctions as are made by Birss J. in the above-quoted remarks. While the provisions of the Recast Brussels Regulation and the principles arising therefrom and in relation thereto are not un-complex, the court is, in the task that confronts it in the within application, treading anything but “a developing area of law and practice”, with much of the Brussels Regulation and the legal ramifications of same having been considered in an abundance of enlightening case-law both in Ireland and further afield over the last half-century or so. (The court would make a like observation in respect of the decision of the U.S. District Court in its substantive decision in the breach of contract case presenting in *Microsoft Corporation v. Motorola Inc.* (2013 U.S. Dist. LEXIS 60233) to which the court was also referred in this regard).

### **XVI. Article 24 Considered**

122. Articles 29 and 30 of the Recast Brussels Regulation formed the mainstay of the within application and the most relevant of the case-law concerning each of those provisions is considered later below. The court pauses to make brief mention of Art. 24 given the submission made by IV (notwithstanding that there is no application under Art. 24 before the court) that the Irish courts are concerned with the issue of validity because if the Irish court makes a FRAND determination it can only be because, expressly or implicitly, it has made a finding as to validity, and under Art. 24(4) that suffices to give the German courts jurisdiction in respect of what are German-designated patents. In truth, the absence of any application under Art. 24 means that the court has nought to do in this regard. However, it seems to it that this aspect of matters can in any event be dealt with swiftly: no issue as to validity or invalidity of the patents which it is proposed to license has been placed in issue in the within proceedings; no part of Vodafone GmbH's cause of action in the abuse of dominance proceedings depends in any way on the validity or invalidity of the patents-in-suit; and thus Art. 24 is an irrelevance to the application at hand.

## **XVII. Case-Law concerning Article 29**

(i) *Gubisch Maschinenfabriek KG v. Palumbo*

(Case 144/86).

123. A dispute arose between *Gubisch*, whose registered office was in Germany, and Mr Palumbo, a gentleman resident in Rome. That dispute related to the validity of a contract of sale. Mr Palumbo brought proceedings against *Gubisch* before the *tribunale di Roma* (District Court, Rome) for a declaration that the contract was inoperative on the ground that his order had been revoked before it reached *Gubisch* for acceptance. By way of alternative, Mr Palumbo claimed the contract should be set aside for lack of consent or, in the alternative, discharged on the ground that *Gubisch* had not complied with the time-limit for delivery. *Gubisch* objected that the *tribunale di Roma* lacked jurisdiction, in accordance with Article 21 of the original Brussels Regulation (which is the previous manifestation, in identical words, of what is now Art. 29), on the ground that *Gubisch* had already brought an action before the *Landgericht* (Regional Court) in Flensburg, Germany, seeking to enforce performance by Mr Palumbo of his obligation under the contract, namely payment for the machine that he had purchased.

124. The *tribunale di Roma* dismissed the objection of *lis pendens* based on Article 21 of the Regulation. *Gubisch* then appealed to the *Corte suprema di cassazione*, which stayed the proceedings and referred to the European Court of Justice the following question for a preliminary ruling: 'Does a case where, in relation to the same contract, one party applies to a court in a Contracting State for a declaration that the contract is inoperative (or in any event for its discharge) whilst the other institutes proceedings before the courts of another Contracting State for its enforcement fall within the scope of the concept of *lis pendens* pursuant to Article 21...?'

125. The court noted as follows, at paras. 10–11:

"10...[T]he concept of *lis pendens* is not the same in all the legal systems of the Contracting States and, as the Court has already held in its judgment...[in] *Zelgerv Salinitri* [1984] ECR 2397, a common concept of *lis pendens* cannot be arrived at by a combination of the various relevant provisions of national law.

11. Having regard to the...objectives of the Convention and to the fact that Article 21, instead of referring to the term *lis pendens* as used in the different national legal systems of the Contracting States, lays down a number of substantive conditions as components of a definition, it must be concluded that the terms used in Article 21 in order to determine whether a situation of *lis pendens* arises must be regarded as independent",

then continued to explore this independent concept of *lis pendens*, at paras. 14–19, in the following terms:

"14. It must be observed first of all that according to its wording Article 21 applies where two actions are between the same parties and involve the same cause of action and the same subject-matter; it does not lay down any further conditions. Even though the German version of Article 21 does not expressly distinguish between the terms 'subject-matter' and 'cause of action', it must be construed in the same manner as the other language versions, all of which make that distinction.

15. In the procedural situation which has given rise to the question submitted for a preliminary ruling the same parties are engaged in two legal proceedings in different Contracting States which are based on the same 'cause of action', that is to say the same contractual relationship. The problem which arises, therefore, is whether those two actions have the same 'subject-matter' when the first seeks to enforce the contract and the second seeks its rescission or discharge.

16. In particular, in a case such as this, involving the international sale of tangible moveable property, it is apparent that the action to enforce the contract is aimed at giving effect to it, and that the action for its rescission or discharge is aimed precisely at depriving it of any effect. The question whether the contract is binding therefore lies at the heart of the two actions. If it is the action for rescission or discharge of the contract that is brought subsequently, it may even be regarded as simply a defence against the first action, brought in the form of independent proceedings before a court in another Contracting State.

17. In those procedural circumstances it must be held that the two actions have the same subject-matter, for that concept cannot be restricted so as to mean two claims which are entirely identical.

18. If, in circumstances such as those of this case, the questions at issue concerning a single international sales contract were not decided solely by the court before which the action to enforce the contract is pending and which was seised first, there would be a danger for the party seeking enforcement that under Article 27(3) a judgment given in his favour might not be recognized, even though any defence put forward by the defendant alleging that the contract was not binding had not been accepted. There can be no doubt that a judgment given in a Contracting State requiring performance of the contract would not be recognized in the State in which recognition was sought if a court in that State had given a judgment rescinding or discharging the contract. Such a result, restricting the effects of each judgment to the territory of the State concerned, would run counter to the objectives of the Convention, which is intended to strengthen legal protection throughout the territory of the Community and to facilitate recognition in each Contracting State of judgments given in any other Contracting State.

19. The answer to the question submitted by the national court must therefore be that the concept of *lis pendens* pursuant to Article 21...covers a case where a party brings an action before a court in a Contracting State for the rescission or discharge of an international sales contract whilst an action by the other party to enforce the same contract is pending before a court in another Contracting State."



126. How does the decision of the Court of Justice in *Gubisch* sit with the facts and issues at play in the within application? In *Gubisch*, the action brought in Germany was a claim for monies due under a contract; the claim in Italy, by contrast was a claim that the purported contract between the parties was invalid, either because no contract had been effected between the parties or because it should be set aside. So the two proceedings can be seen to be the mirror image of the other: 'the contract is valid; monies are due' versus 'the contract is not valid; no monies are due'. In the within proceedings the proceedings in Germany are patent infringement proceedings ('SEPs are valid and infringed; monies are due'), whereas in Ireland the court is being asked to settle the FRAND rate, something that cannot be done *in abstracto* and, expressly or implicitly, will involve the court having determining issues such as essentiality and infringement.

(ii) *Overseas Union Insurance Ltd v. New Hampshire Insurance Company*

(Case C-351/89).

127. Article 4 of the Recast Brussels Regulation provides, at sub-article (1), that "Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State", and, at sub-article (2), that "Persons who are not nationals of the Member State in which they are domiciled shall be governed by the rules of jurisdiction applicable to nationals of that Member State." How does Art. 4 interact with Art. 29? Overseas Union is authority for the proposition that even if a court being asked to decline jurisdiction enjoys a basis for jurisdiction under Art. 4, that does not 'trump' the provisions of Art. 29.

128. In *Overseas Union, New Hampshire Insurance Company*, between June, 1987 and February, 1988, commenced proceedings in Paris looking for monies due under reinsurance policies held with Deutsche Ruck, OUI and Pine Top. In April, 1988, Deutsche Ruck, OUI and Pine Top commenced proceedings before the English High Court seeking a declaration that they had lawfully avoided their obligations under the reinsurance policies. These were so clearly mirror proceedings that no declaration was sought on this point. The High Court stayed the proceedings before it pending a decision of the French court on its jurisdiction in the proceedings pending before it. Deutsche Bank, OUI and Pine Top appealed this order to the Court of appeal which in turn referred various questions to the Court of Justice, including, per the Court at para. 11, "essentially...whether Article 21 of the Convention [which is in the same terms as what is now Art. 29] applies irrespective of the domicile of the parties to the two sets of proceedings". In addressing this question, the court stated, *inter alia*, as follows:

"13. [T]he wording of Article 21, unlike the wording of other provisions of the Convention, makes no reference to the domicile of the parties to the proceedings. Moreover, Article 21 does not draw any distinction between the various heads of jurisdiction provided for in the Convention. In particular, it does not provide for any derogation to cover a case where, in accordance with the provisions of Article 4 of the Convention, a court of a Contracting State exercises its jurisdiction by virtue of the law of that State over a defendant who is not domiciled in a Contracting State.

14. Consequently, it appears from the wording of Article 21 that it must be applied both where the jurisdiction of the court is determined by the Convention itself and where it is derived from the legislation of a Contracting State in accordance with Article 4 of the Convention.

15. The interpretation suggested by the wording is borne out by an examination of the aims of the Convention. In the judgment...in...*Dumez France and Tracoba v Hessische Landesbank and Others* [1990] ECR I-49, the Court held that essentially the aim of the Convention was to promote the recognition and enforcement of judgments in States other than those in which they were delivered and that it was therefore indispensable to limit the risk of irreconcilable decisions, which is a reason for withholding recognition or an order for enforcement by virtue of Article 27(3) of the Convention. [Article 27 was the article that then dealt with the enforcement of judgments.]

[...]

17. In view of that conclusion, it is necessary to reject the argument of the appellants in the main proceedings to the effect that the very existence of Article 27(3) of the Convention shows that Articles 21 and 22 cannot prevent irreconcilable judgments from being given in certain cases in different Contracting States. The fact that the Convention makes provision for cases in which such situations might nevertheless arise cannot constitute an argument against an interpretation of Articles 21 and 22, which, according to the case-law of the Court (see the judgment in *Dumez France and Tracoba...*), have the specific aim of precluding or limiting the risk of irreconcilable judgments and non-recognition.

18. The answer to the first question submitted by the national court must therefore be that Article 21 of the Convention must be interpreted as applying irrespective of the domicile of the parties to the two sets of proceedings."

(iii) *The Tatry*

(Case C-406/92).

#### I. Facts.

129. *The Tatry* was a case in which a cargo of soya bean oil belonging to a number of owners was being carried in bulk aboard a ship known as the 'Tatry'. The cargo-owners complained to the ship-owners that in the course of the voyage the cargo was contaminated by diesel. In November, 1988 the ship-owners brought an action before the Netherlands courts seeking a declaration that they were not liable, or at least not fully liable, for such contamination as had occurred. This action was brought against two of a total of three cargo groups. No action was brought by the ship-owners against the third group of cargo-owners until September, 1989 when they commenced separate proceedings, also in the Netherlands, for a declaration that they (the ship-owners) were not liable to the third group of cargo-owners either. Then, in 1990, the ship-owners initiated a still further set of proceedings seeking to limit their liability in respect of the entire cargo. This meant that by this time there were three sets of proceedings in being: two relating to declarations that the ship-owners were not liable for the contamination; and one that the ship-owners were entitled to limit their liability if they were liable. Separately, in September, 1989 (between the commencement of the second and third set of ship-owner proceedings), the cargo-owners had commenced an action *in rem* before the English courts seeking to seize the ship.

130. It will be recalled that under Art. 29(1) of the Recast Brussels Regulation, or the identically worded Art. 21 of the original Regulation that was in issue in *The Tatry*, "[W]here proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seised shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seised is established." In *The Tatry*, two principal points of focus were whether: the personal and *in rem* proceedings respectively involved "the same cause of action"; and the two sets of

proceedings involved “the same parties”.

## II. Same Cause of Action?

131. The fifth question placed before the Court of Justice in *The Tatry* was, per the Court of Justice at para. 37, “essentially whether, on a proper construction of article 21 of the Convention, an action seeking to have the defendant held liable for causing loss and ordered to pay damages has the same cause of action and the same object as earlier proceedings brought by that defendant seeking a declaration that he is not liable for that loss”. When it came to answering this question, the Court stated, *inter alia*, as follows, at paras 39–45:

*“39. For the purposes of Article 21 of the Convention, the ‘cause of action’ comprises the facts and the rule of law relied on as the basis of the action.*

*40. Consequently, an action for a declaration of non-liability, such as that brought in the main proceedings in this case by the shipowners, and another action, such as that brought subsequently by the cargo owners on the basis of shipping contracts which are separate but in identical terms, concerning the same cargo transported in bulk and damaged in the same circumstances, have the same cause of action.*

*41. The ‘object of the action’ for the purposes of Article 21 means the end the action has in view.*

*42. The question accordingly arises whether two actions have the same object when the first seeks a declaration that the plaintiff is not liable for damage as claimed by the defendants, while the second, commenced subsequently by those defendants, seeks on the contrary to have the plaintiff in the first action held liable for causing loss and ordered to pay damages.*

*43. As to liability, the second action has the same object as the first, since the issue of liability is central to both actions. The fact that the plaintiff’s pleadings are couched in negative terms in the first action whereas in the second action they are couched in positive terms by the defendant, who has become plaintiff, does not make the object of the dispute different.*

*44. As to damages, the pleas in the second action are the natural consequence of those relating to the finding of liability and thus do not alter the principal object of the action. Furthermore, the fact that a party seeks a declaration that he is not liable for loss implies that he disputes any obligation to pay damages.*

*45. In those circumstances, the answer to the fifth question is that, on a proper construction of Article 21 of the Convention, an action seeking to have the defendant held liable for causing loss and ordered to pay damages has the same cause of action and the same object as earlier proceedings brought by that defendant seeking a declaration that he is not liable for that loss.”*

132. The natural consequence of the infringement proceedings in Germany will be an order for the payment of compensation (damages). In the Irish proceedings, any decision as to FRAND will necessarily involve the court reaching a finding, expressly or implicitly, as to whether the patents in issue are essential and infringed (validity has not been placed in issue). So essentiality and infringement appear to be issues that are common to both. Moreover, the ultimate object of both sets of proceedings must be and is the obtaining of compensation.

133. As to the second question referred to the European Court of Justice, this, per the Court at para.46, was “whether a subsequent action has the same cause of action and the same object and is between the same parties as a previous action where the first action, brought by the owner of a ship before a court of a Contracting State, is an action in personam for a declaration that that owner is not liable for alleged damage to cargo transported by his ship, whereas the subsequent action has been brought by the owner of the cargo before a court of another Contracting State by way of an action in rem concerning an arrested ship, and has subsequently continued both in rem and in personam, or solely in personam, according to the distinctions drawn by the national law of that other Contracting State.” The Court was relatively succinct in its analysis of this issue, stating, at para. 47:

*“In Article 21 of the Convention, the terms ‘same cause of action’ and ‘between the same parties’ have an independent meaning (see Gubisch...). They must therefore be interpreted independently of the specific features of the law in force in each Contracting State. It follows that the distinction drawn by the law of a Contracting State between an action in personam and an action in rem is not material for the interpretation of Article 21.”*

134. What is notable about this observation is that it makes clear that the idiosyncrasies of national procedural rules are deemed irrelevant by the Court of Justice to the issue of whether one is dealing with the same cause of action. So really one looks to the answer to the fifth question to see whether one is dealing with the same cause of action, and applying the test identified by the Court of Justice in its answer to that fifth question, the conclusion that arises is that the court in the German Proceedings and the court in the Irish Proceedings are in fact dealing with the same cause of action.

135. The court notes in passing that it has been referred by counsel for Vodafone GmbH to *Popely v. Popely* [2006] 4 I.R. 356 and, in its deliberations, has been alive to the observation made by Finlay Geoghegan J. therein, at 365, applying *Gantner Electronic GmbH v. Bosch Expolitatatie Maatschappij BV* (Case C-111/01) that “[T]he national court in considering whether...two sets of proceedings have the same cause of action should consider only the claims made by the applicant in each of the relevant proceedings to the exclusion of a defence made by the parties”.

## III. Same Parties.

136. The first question referred to the Court of Justice in *The Tatry* was essentially whether Art. 21 (now Art. 29) is applicable in the case of two sets of proceedings involving the same cause of action where some but not all of the parties are the same. In this regard, the Court of Justice made the following observations:

*“30. The question refers to the term ‘the same parties’ mentioned in Article 21, which requires as a condition for its application that the two sets of proceedings be between the same parties. As the Court held in...Gubisch...the terms used in Article 21 in order to determine whether a situation of lis pendens arises must be regarded as independent....*

*31. Moreover, as the Advocate General noted in his Opinion...it follows by implication from that judgment that the*

question whether the parties are the same cannot depend on the procedural position of each of them in the two actions, and that the plaintiff in the first action may be the defendant in the second.

32. The Court stressed in that judgment (paragraph 8) that [inter alia] Article 21...is contained in [a section of the Convention]...intended, in the interests of the proper administration of justice within the Community, to prevent parallel proceedings before the courts of different Contracting States and to avoid conflicts between decisions which might result therefrom. Those rules are therefore designed to preclude, in so far as is possible and from the outset, the possibility of a situation arising such as that referred to in Article 27(3), that is to say the non-recognition of a judgment on account of its irreconcilability with a judgment given in a dispute between the same parties in the State in which recognition is sought.

33. In the light of the wording of Article 21 of the Convention and the objective set

out above, that article must be understood as requiring, as a condition of the obligation of the second court seized to decline jurisdiction, that the parties to the two actions be identical.

34. Consequently, where some of the parties are the same as the parties to an action which has already been started, Article 21 requires the second court seized to decline jurisdiction only to the extent to which the parties to the proceedings pending before it are also parties to the action previously started before the court of another Contracting State; it does not prevent the proceedings from continuing between the other parties...

36. Accordingly, the answer to the first question is that, on a proper construction of Article 21 of the Convention, where two actions involve the same cause of action and some but not all of the parties to the second action are the same as the parties to the action commenced earlier in another Contracting State, the second court seized is required to decline jurisdiction only to the extent to which the parties to the proceedings before it are also parties to the action previously commenced; it does not prevent the proceedings from continuing between the other parties."

(iv) *Drouot Assurances S.A. v. C.M.I.*

(Case C-351/96).

137. Consolidated Metal Industries (CMI) charged Mr Velghe to transport certain cargo from the Netherlands to France by barge. The barge was known as the Sequana and owned by a Mr Walbrecq. Unfortunately, the Sequana foundered in Dutch inland waters. Thereafter, Drouot, as insurer of the vessel (or hull) caused it to be re-floated, at its own expense, thus salvaging CMI's cargo. Drouot then brought proceedings before the *Tribunal de Commerce* in Paris against CMI, Protea Assurance (the insurer of the cargo), and Protea's European representative, GIE, for contribution to the cost of re-floating. CMI and Protea pleaded, by way of procedural objection to the French action, that there was a *lis alibi pendens* arising by virtue of an action which they had earlier brought against Mr Walbrecq and Mr Velghe before the District Court in Rotterdam. In that Dutch action, CMI and Protea sought a declaration that they were not obliged to contribute. Such a negative declaration, which apparently could not have been sought if the action had been initiated in France, was sought in the alternative to a claim that Mr Velghe be held responsible for the occurrence of the accident on the ground that, as captain, he had permitted the barge to become unseaworthy by overloading it at Rotterdam.

138. The *lis alibi pendens* was rejected by the *Tribunal de Commerce* on the basis that the parties to the two actions were not the same. Specifically, Drouot was not a party to the Dutch proceedings and Messrs Velghe and Walbrecq were not parties to the French proceedings. Moreover, in the view of the *Tribunal de Commerce*, the issues in the two actions were not the same. The defendants appealed to the *Cour d'Appel*, contending that the object of the two actions was the same and that Drouot was not a party to the Netherlands action only because Dutch procedural rules did not permit insurers to be named. In its judgment, the *Cour d'Appel*, proceeding on what it considered was the uncontested view that Dutch procedural rules precluded the possibility for an insurer to be present in a case involving its insured, took the view that the broader scope of the Dutch action encompassed the subject-matter of the French action and that Drouot could be regarded as a party to the Netherlands action through the intermediary of the insured; accordingly, the plea of *lis alibi pendens* was upheld. On appeal to the *Cour de Cassation*, Drouot contended, *inter alia*, that the *Cour d'Appel* should not have upheld the *lis alibi pendens* plea, since neither the nature of the proceedings nor the identity of the parties in the two actions was the same, and that the impugned judgment was incompatible with Article 21 of the Regulation.

139. The *Cour de Cassation*, being of the view that the appeal before it turned on the interpretation of the concept of "the same parties" used in Art. 21 (now Art. 29) of the Regulation, decided to refer to the Court of Justice the question of whether an insurer and an insured fell, in the circumstances presenting, to be treated as the same party. The judgment of the Court of Justice was consistent with the opinion of Advocate General Fennelly who opined, *inter alia*, as follows:

"24. In upholding the plea of *lis alibi pendens* in the present case, the *Cour d'Appel*, in determining the identity of the parties to the Netherlands action, has relied upon a principle which, in its opinion, forms part of the procedural law of the Netherlands. It is right to point out that the provisions of the Convention were not cited to the *Cour d'Appel*. Nevertheless, the approach which it has adopted is not, in my opinion, compatible with the Court's decisions in *Gubisch* and *The Tatry*, where the Court declared unambiguously that the 'substantive conditions' prescribed by Article 21 of the Convention for a successful plea of *lis alibi pendens* 'must be regarded as independent'. These substantive conditions represent a considered choice and the implicit rejection of the possibility of referring to the term *lis alibi pendens* as used in the different national legal systems of the Contracting States. The application of the Convention concept of 'the same parties' cannot, in my view, depend on the existence and scope of the Netherlands-law principle relied upon by the *Cour d'Appel*, since that represents a consideration of the law of the first court seized.

25. Next, it is necessary to assess what guidance the Court's case-law furnishes in respect of the autonomous Convention concept of the 'same parties'... In *Gubisch*, the Court was concerned with a situation whose 'salient features' were that 'one of the parties [had] brought an action before a court of first instance for the enforcement of an obligation stipulated in an international contract of sale...[while] an action was subsequently brought against him by the other party in another Contracting State for the rescission or discharge of the same contract'. The Court declared that the conditions laid down by Article 21 are exhaustive; namely, the two actions must be 'between the same parties and involve the same cause of action and the same subject-matter'. It proceeded, in circumstances where the present issue of identity of parties was not in doubt, to take the view that the concept of the same cause of action 'cannot be restricted so as to mean two claims which are entirely identical. That the Court was clearly motivated by the need to avoid conflicting judgments emerges clearly from its statement that in circumstances such as those of the case before it:

*'There can be no doubt that a judgment given in a Contracting State requiring performance of the contract would not be recognised in the State in which recognition is sought if a court in that State had given a judgment rescinding or discharging the contract. Such a result, restricting the effects of each judgment to the territory of the State concerned, would run counter to the objectives of the Convention, which is intended to strengthen legal protection throughout the territory of the Community and to facilitate recognition in each Contracting State of judgments given in any other Contracting State.'*

26. CMI and Protea have argued from Gubisch for a broad and flexible interpretation of the concept of the 'same cause of action' and, by extension, of 'the same parties' as those terms are used in Article 21 of the Convention. It is true that, in Gubisch, the Court held that the concept of 'the same subject-matter', which, in effect, it interpreted into the English text by reference to the other language versions, could not 'be restricted so as to mean two claims which are entirely identical'. In practice, it applied that reasoning to the two actions one of which was brought to enforce and the other to rescind or discharge the same contract. In doing so, it attached great importance to the purpose expressed... [in] the Convention of avoiding irreconcilable judgments between the same parties and how such judgments could arise if the competing claims had to be 'entirely identical' before a *lis alibi pendens* plea could be upheld. That reasoning is not, however, equally applicable to the concept of 'the same parties', since the judgment proceeds on the assumption that, whatever differences exist in the subject-matter, the parties are the same. Nothing in the judgment, in the text of Article 21 or in the purpose of the Convention requires that a flexible approach be adopted in that instance. The contrary is rather the case. Judgments are, in my view, truly irreconcilable only if they are contrary and given in actions between the same parties.

27. The judgment in *The Tatry* confirms this view...".

(v) *Roche Nederland BV and Others v. Primus and Goldenberg*

(Case C-539/03).

140. Under the European Patent Convention, a European patent has, in each of the contracting States for which it is granted, the same effect, and is subject to the same conditions, as a national patent granted by that contracting State. In March 1997, Drs Primus and Goldenberg brought an action in the Netherlands courts against Roche Nederland BV and eight non-Dutch Roche companies in respect of an alleged infringement of the rights of the two doctors in a European patent of which they were the proprietors. The various companies in the Roche group not established in the Netherlands contested the jurisdiction of the Netherlands courts. In the course of the proceedings, a reference was made to the Court of Justice. The points on which guidance was sought are not especially pertinent; what is of interest are the comments that the Court of Justice made as regards the Brussels Regulation and the very wide scope of the concept of irreconcilable judgments (which that Regulation seeks to combat). Thus the Court of Justice observes as follows, at paras. 25 and 36–37 of its judgment:

*"25...It is sufficient to observe that, even assuming that the concept of 'irreconcilable' judgments for the purposes of the application of Article 6(1) of the Brussels Convention must be understood in the broad sense of contradictory decisions, there is no risk of such decisions being given in European patent infringement proceedings brought in different Contracting States involving a number of defendants domiciled in those States in respect of acts committed in their territory...."*

*36...[A]lthough at first sight considerations of procedural economy may appear to militate in favour of consolidating such actions before one court, it is clear that the advantages for the sound administration of justice represented by such consolidation would be limited and would constitute a source of further risks.*

*37. Jurisdiction based solely on the factual criteria set out by the national court would lead to a multiplication of the potential heads of jurisdiction and would therefore be liable to undermine the predictability of the rules of jurisdiction laid down by the Convention, and consequently to undermine the principle of legal certainty...."*

141. In one sense, Roche does not seem to the court to be a judgment that is especially relevant to the within proceedings. There what was in issue was one jurisdiction assuming seisin of cases relating to infringements in other jurisdictions. That is very different from the within proceedings. However, Roche is clearly supportive of the 'rule against irreconcilable judgments', the associated principle of certainty and the need to avoid fragmentation.

(vi) *Gesellschaft für Antriebstechnik mbh & Co KG ('GAT')*

*v. Lamellen und Kupplungsbau Beteiligungs KG ('LuK')*

(Case C-4/03).

142. GAT and LuK, two companies established in Germany, were economic operators competing in the field of motor vehicle technology. GAT made an offer to a motor vehicle manufacturer, also established in Germany, with a view to winning a contract to supply mechanical damper springs. LuK alleged that the spring which was the subject of GAT's proposal infringed two French patents of which LuK was the proprietor. GAT brought a declaratory action before the *Landgericht Düsseldorf* to establish that it was not in breach of the patents, maintaining that its products did not infringe the rights under the French patents owned by LuK and, further, that those patents were either void or invalid.

143. The *Landgericht Düsseldorf* dismissed GAT's action, holding that the patents at issue satisfied the requirements of patentability. On appeal by GAT, the *Oberlandesgericht Düsseldorf* decided to stay the proceedings and refer to the Court of Justice a question concerning Art. 16(4) of the Brussels Convention (now Art. 24 of the Recast Brussels Regulation) which, *inter alia*, in proceedings concerned with the registration or validity of patents, gave exclusive jurisdiction, regardless of domicile, to the courts of the contracting State in which the deposit or registration had been applied for, had taken place or (under the terms of an international convention) was deemed to have taken place. In the course of its judgment, the Court stated as follows, at paras. 25–29:

*"25. In the light of the position of Article 16(4) within the scheme of the Convention and the objective pursued, the view must be taken that the exclusive jurisdiction provided for by that provision should apply whatever the form of proceedings in which the issue of a patent's validity is raised, be it by way of an action or a plea in objection, at the time the case is brought or at a later stage in the proceedings.*

26. First, to allow a court seized of an action for infringement or for a declaration that there has been no infringement to establish, indirectly, the invalidity of the patent at issue would undermine the binding nature of the rule of jurisdiction laid down in Article 16(4) of the Convention.

27. While the parties cannot rely on Article 16(4) of the Convention, the claimant would be able, simply by the way it formulates its claims, to circumvent the mandatory nature of the rule of jurisdiction laid down in that article.

28. Second, the possibility which this offers of circumventing Article 16(4) of the Convention would have the effect of multiplying the heads of jurisdiction and would be liable to undermine the predictability of the rules of jurisdiction laid down by the Convention, and consequently to undermine the principle of legal certainty, which is the basis of the Convention...

29. Third, to allow, within the scheme of the Convention, decisions in which courts other than those of a State in which a particular patent is issued rule indirectly on the validity of that patent would also multiply the risk of conflicting decisions which the Convention seeks specifically to avoid".

144. There are perhaps three points of interest to be derived from the above-quoted observations:

– first, it is clear that the Court is concerned to avoid a multiplicity of actions arising in respect of patents.

– second, parties are not free to circumvent the mandatory rules of jurisdiction by the manner in which they formulate their claims (a principle which has, perhaps, a particular resonance in the within proceedings, with Vodafone formulating its claim in a manner in the Irish Proceedings that seeks to set them apart from the German Proceedings).

– third, and this is a point that was also touched upon by Advocate General Tesauro in *Tatry*, the curtailment of such abuse would appear to be a legitimate concern of courts concerned with determining jurisdiction pursuant to the Regulation.[1]

[1] At para. 22 of his opinion in *Tatry*, Advocate General Tesauro observes as follows:

"It is true that the inclusion in the Brussels Convention...of alternative rules for determining jurisdiction...may leave the way open for 'clever' manoeuvres....[E]fforts may be made to establish the jurisdiction of a particular court solely...to take advantage of the substantive legislation which is applied by it and is regarded as more favourable by the plaintiff, or...to raise difficulties for the other party....[S]uch efforts – constituting forum shopping – are easiest to deploy in systems in which priority is automatically given to the connecting factor of the *lex fori*, however disguised. Where, conversely, the rules of private international law or the case-law, or both, adopt connecting factors which better correspond to the nature and characteristics of the relationship, and to the expectations of the parties who originally created it and 'devised it', the possibilities of biased or even abusive use of procedural and private international law, as a whole, are also reduced. In any event, it will be incumbent upon the court seized to ensure that any abuse is thwarted."

### **XVIII. Some Conclusions Regarding Article 29**

#### **(i) Overview.**

145. When it comes to Art. 29 of the Recast Brussels Convention, IV does not, to borrow a phrase used by counsel for Vodafone GmbH at the hearing of the within application, 'get its case off the ground'. So much so that the court cannot but hazard that the submissions, the hearing of the within application, and this judgment, might all have been considerably shorter had IV but acknowledged this clear fact from the start and focused its attentions on Art. 30 where its case was always stronger and surer and, as will be seen hereafter, has ultimately succeeded, albeit that the court has settled upon a more limited form of relief under Art. 30 than that which IV might have preferred.

#### **(ii) Same Cause of Action?**

146. Why has IV failed when it comes to Art. 29? First and foremost, because the courts of Germany and Ireland respectively are not presented with the "same cause of action" in the German Proceedings and the Irish Proceedings. IV's case in this regard rests essentially on the premise that because there are overlapping issues in the Irish Proceedings and the German Proceedings (and there most certainly are) it follows that the Düsseldorf Court and this Court are presented with the same cause of action. Nothing could be further from the truth. Just because the pleadings in Germany and Ireland make mention of Art. 102 does not suffice to transubstantiate what is before the Düsseldorf Court into the "same cause of action" that presents before this Court. Overlapping issues and even mention of the same Treaty provision do not suffice to yield the "same cause of action". Even if the court goes further than Popely (in reliance on Gartner) allows and looks to the entirety of the pleadings in Germany, there is simply no mention, none whatsoever, in the claim, in the defence or in the reply that the FRAND offer of 25th March, 2016, constitutes an abuse of a dominant position contrary to Art. 102 TFEU. And on that simple fact, any notion that the court is presented with the "same cause of action" flounders.

147. Article 102 TFEU, to the extent that it features in the German Proceedings (and it does) is concerned with the provision of information; there is no question arising in the German Proceedings of an abuse of dominant position by way of the offer made. And any notion that the German Court in the limited context in which Art. 102 is pleaded would, of its own volition, proceed to consider a matter that has not been raised in the German Proceedings, viz. whether the offer of 25th March, 2016, entailed an abuse of dominant position is not borne out by the evidence of Dr Lamping, IV's own witness, who avers, for example, as follows in his affidavit evidence:

*"As preliminary questions, the...Düsseldorf [Court] will need to decide whether the relevant patents are standard-essential...and whether they confer a dominant position on the relevant market, since the FRAND commitment in itself has – according to the prevailing opinion of the regional courts of Düsseldorf – only declaratory and no constitutive effect regarding the obligation of the patent holder to license on...[FRAND] terms. This means that the infringer can only rely on the compulsory nature of a licence and, consequently, on a limitation of the patent holder's damage claim to licence fees, if it is established that the SEP confers a dominant position on the relevant market."*

148. There is nothing in the above-quoted text to suggest, nor does it flow from that text, that the Düsseldorf Court and this Court are presented with the "same cause of action".

149. IV is entitled to its view that the abuse of dominant position contended for by Vodafone GmbH presents the 'Russian roulette' scenario detailed at the start of this judgment; whether IV is right in this view is, of course, a matter that has yet to be tested by the courts and is certainly not for this Court to opine upon at this time. As will be seen later below, IV is correct in its contention that a form of stay under Art. 30 should issue from this Court at this time. But, for the reasons stated, it is entirely wrong in its contention that the Düsseldorf Court and this Court are presented with the "same cause of action" in the respective proceedings before them.

(iii) Same Parties?

150. Article 29(1) requires that the relevant courts be presented with "proceedings involving the same cause of action and between the same parties". So both have to be present, and the court has just concluded that "the same cause of action" does not present. For the sake of completeness the court turns also to address whether it is presented with "proceedings... between the same parties", albeit that its views in this regard are perhaps somewhat academic given the conclusion just reached as to whether "the same cause of action" presents (it does not).

151. When it comes to the parties to the respective proceedings, the court notes that IVIL is a party to the Irish Proceedings but not a party to the German Proceedings. Moreover, IVIL cannot properly be said to be a party whose interests are identical with, and indissociable from, those of IV II. So the court is not presented, at least as regards IVIL, with proceedings "between the same parties...brought in the courts of different Member States". Of course, if one looks to para. 36 of the judgment in *The Tatry*, the second court seised is "is required to decline jurisdiction only to the extent to which the parties to the proceedings before it are also parties to the action previously commenced"; so that would mean (had the court not concluded that "the same cause of action" does not present) declining jurisdiction as regards IV II but not IVIL. Notwithstanding that this is so, and so obviously so, the court has also been referred by IV to the decision in *Drouot* as being somehow supportive of its case in this regard.

152. It will be recalled that in his opinion in *Drouot*, Advocate General Fennelly opined as follows, at para. 26 of his opinion:

*"CMI and Protea have argued from Gubisch for a broad and flexible interpretation of the concept of the 'same cause of action' and, by extension, of 'the same parties' as those terms are used in Article 21 of the Convention. It is true that, in Gubisch, the Court held that the concept of 'the same subject-matter', which, in effect, it interpreted into the English text by reference to the other language versions, could not 'be restricted so as to mean two claims which are entirely identical'. In practice, it applied that reasoning to the two actions one of which was brought to enforce and the other to rescind or discharge the same contract. In doing so, it attached great importance to the purpose expressed...[in] the Convention of avoiding irreconcilable judgments between the same parties and how such judgments could arise if the competing claims had to be 'entirely identical' before a lis alibi pendens plea could be upheld. That reasoning is not, however, equally applicable to the concept of 'the same parties', since the judgment proceeds on the assumption that, whatever differences exist in the subject-matter, the parties are the same. Nothing in the judgment, in the text of Article 21 or in the purpose of the Convention requires that a flexible approach be adopted in that instance. The contrary is rather the case. Judgments are, in my view, truly irreconcilable only if they are contrary and given in actions between the same parties."*

153. Having especial regard to the portion of the above-quoted text from "That reasoning is not, however, equally applicable..." onwards, the court must admit that the conclusions already reached by it, by reference to the judgment in *The Tatry* (and the observations made therein as to identity or sameness of parties) are buttressed, not weakened. And the court's view in this regard is still further buttressed when it has regard to the judgment of the Court of Justice in *Drouot* (which, unlike the opinion of the Advocate General, is what the court must look to as a proper statement of EU law), and, for example, to the observation of the Court, at para. 19, as to the possibility that the coincidence of interests between an insurer and an insured could have the result that a judgment against one could be *res judicata* against the other. That is a very long way from the situation which presents here: the notion that a judgment against IV II, irrespective of whether a cause of action was made out against IVIL, would nonetheless have the force of *res judicata* against IVIL is untenable. The offer was made by IVIL, and while IV II is claimed by Vodafone GmbH to have acted as joint tortfeasor, it could turn out, were the proceedings to continue, that IV II has a perfectly sound defence for its actions and IVIL does not. Moreover, IVIL as licensee, and IV II as licensor of the patents clearly have separate and different interests when it comes to those patents. And the notion that IVIL is an agent of IV II has been considered and dismissed for the reasons outlined elsewhere above.

(iv) Conclusion.

154. For the reasons stated, no form of relief falls to be extended to any of the IV parties under or pursuant to Art. 29 of the Recast Brussels Regulation.

XIX. Case-Law Concerning Article 30

(i) *Sarrio S.A. v. Kuwait Investment Authority*

[1997] 4 All ER 929

155. *Sarrio S.A.*, a Spanish company, commenced proceedings in Spain against the Kuwait Investment Authority and others claiming that the defendants were liable to it for substantial amounts unpaid under an exercised put option given in connection with the sale of *Sarrio's* paper business. While those proceedings were pending, *Sarrio* commenced proceedings in England against the defendants for damages in respect of negligent misrepresentations alleged to have been made in the course of negotiations for the sale of *Sarrio's* business. The defendants applied for the English proceedings to be struck out, dismissed or stayed, or for jurisdiction to be declined in relation thereto, on the ground that they fell within the provisions of Art. 22 of the Brussels Regulation, the forerunner of what is now Art. 30. It was common ground that if the English and Spanish actions were "related", the Spanish court was "first seised" for the purposes of Art. 22.

156. The High Court (Mance J.) held there was a risk of irreconcilable judgment; the Court of Appeal allowed an appeal; the House of Lords allowed a further appeal by *Sarrio*. In his speech, Lord Saville said, *inter alia*, as follows, at 931 et seq:

*"In his judgment in the Court of Appeal, Evans LJ (with whom the other members of the court agreed) considered the approach of the Court of Justice of the European Communities (including the opinion of the Advocate General) in...[The Tatry] and concluded that the issues which must be considered in order to decide whether or not there was a risk of irreconcilable judgments were—*

*'the issues of fact or law which have to be decided in order that the Court can reach its judgment in the particular case. These can be described as 'primary' issues and they are limited to those facts which are necessary to establish a cause of action ... The Court's decisions on these primary issues represent the process of "reasoning" upon which its judgment is based, but they do not include, in my view, other issues of fact which the Court may or may not decide and which are not essential to its conclusion in this way.'*

*On this basis Evans LJ concluded that the primary issues of fact in the English proceedings were distinct from any raised in the Spanish proceedings and that accordingly there was no risk of irreconcilable judgments.*

*I cannot accept that art 22 should be interpreted or applied in this way.*

*In the first place, I can find nothing in the opinion of the Advocate General or the judgment of the European Court of Justice in...[The Tatry] which lends support to the suggestion that a distinction should be drawn between those facts necessary to establish a cause of action and other facts and matters on which conflicting decisions might arise. On the contrary it seems to me that the case leads to the opposite conclusion.*

*Both the Advocate General and the European Court of Justice were at pains to emphasise that the objective of art 22 is to improve co-ordination of the exercise of judicial functions within the Community and to avoid conflicting and contradictory decisions, thus facilitating the proper administration of justice in the Community....*

*This reasoning does not suggest that the phrase 'irreconcilable judgments' in art 22 should be given a limited meaning. Indeed, to limit the application of art 22 to cases where there is a potential conflict between so-called 'primary' issues, so far from giving the article a broad interpretation, comes dangerously close to the argument rejected in...[The Tatry].*  
...

*In the second place, it seems to me that the words of the article itself militate against the suggested limitation. The actions, to be related, must be 'so closely connected that it is expedient to hear and determine them together' to avoid the risk of irreconcilable judgments resulting from separate proceedings. To my mind these wide words are designed to cover a range of circumstances, from cases where the matters before the courts are virtually identical (though not falling within the provisions of art 21) to cases where although this is not the position, the connection is close enough to make it expedient for them to be heard and determined together to avoid the risk in question....*

*In the third place, it seems to me that to adopt the suggested limitation would...be to give the phrase 'related actions' a special 'English' meaning, which would be contrary to what the court decided in [The Tatry]...where it was pointed out that since that phrase did not have the same meaning in all the member states, it was necessary to give it an independent interpretation....*

*In the fourth place, I take the view that to attempt to analyse actions so as to distinguish between different kinds of issues would be likely to add to the complexity of applications under art 22 and thus to the expense and delay in dealing with them....*

*Finally, it is noteworthy that Evans LJ (at 120-121) drew attention to the fact that in [The Tatry]...the Advocate General said:*

*'The court second seised should therefore be able to have recourse to the machinery envisaged by that provision [art 22] whenever it considers that the reasoning adopted by the court hearing the earlier proceedings may concern issues likely to be relevant to its own decision.'*

*Evans LJ considered that since the opinion referred to issues which arise in the earlier proceedings the word 'reasoning' should be read accordingly; and then seems to have relied on this when drawing the distinction between 'primary' and other issues to which I have already referred. In the Italian in which the opinion was actually written, however, the word used is 'question' and though 'issues' is doubtless a perfectly acceptable translation, it would not appear that the Advocate General was using the words he did in any special legally technical sense.*

*For these reasons, I am of the view that there should be a broad common-sense approach to the question whether the actions in question are related, bearing in mind the objective of the article, applying the simple wide test set out in art 22 and refraining from an over-sophisticated analysis of the matter."*

157. Perhaps the three key points to be taken from the foregoing, when it comes to the application of Art. 30, are as follows: (1) the objective of Art. 30 is to improve co-ordination of the exercise of judicial functions within the European Union and to avoid conflicting and contradictory decisions; (2) the concept of 'irreconcilable judgments' should not therefore be given a limited meaning; (3) there should be a broad common-sense approach to the question whether actions are related, bearing in mind the objective of Art. 30, applying the simple wide test set out therein and refraining from an over-sophisticated analysis of the matter.

(ii) *Websense International Technology Ltd v. ITWAY SpA*

[2014] 2 IR 485

158. This was a case in which there was a claim in Italy in respect of a distribution agreement, it being asserted that a distribution agreement had been breached and the obligations of Websense thereunder not fulfilled. In Ireland, there was a claim confined to monies due on foot of the distribution agreement. A stay was sought in the Irish proceedings and the Supreme Court on appeal considered the applicable principles when it came to deciding whether or not to grant such a stay. In his judgment for the Supreme Court, MacMenamin J. considered *The Tatry* and *Sarrio* and a decision of the High Court in *Gonzalez v. Mayer* [2004] 3 I.R. 426, in which Kelly J. adopted the *Sarrio* principles, then stated as follows, at para. 39:

*"When one asks oneself the first question – is there a connection between these two set of proceedings – the answer must undoubtedly be 'yes'. The next question is whether there must inevitably be a significant overlap between the witnesses in the two cases? The answer must be 'yes' also. Finally, one might ask whether a determination in one case would have a significant bearing on the ultimate outcome of the two cases, having regard to claims and potential counter-claims? Here, the answer is 'yes' again. The real issue then is, whether on these transactions, Websense owes Itway money or vice versa? To my mind, the answers to the three key questions above point one way. They lead*

*inexorably to the conclusion that it is expedient that the actions should be heard and determined together by the same court. This conclusion does not, of course, detract from the fact that it will be necessary for the Italian court to make an initial determination on the choice of jurisdiction clause contained in the contract. But it is impossible to escape the conclusion that the issues, and the source of the inter partes litigation, emanate from the distribution agreement."*

159. Turning to the question of discretion, MacMenamin J. referred, at para. 48, to the opinion of Advocate General Lenz in *Owens Bank Ltd. v. Bracco* (C-129/92), in which the Advocate General observed, at para. 75: "The decision required in the context of Article 22 of the Convention is a discretionary decision. It goes without saying that the circumstances of each individual case are particularly important here. The national courts must bear in mind that the aim of this provision is 'to prevent parallel proceedings before the courts of different Contracting States and to avoid conflicts between decisions which might arise therefrom', as the Court stated in its judgment in *Overseas Union Insurance*. It would therefore be appropriate in case of doubt for a national court to decide to stay its proceedings under Article 22." MacMenamin J. continued:

*"[48]...In short, the second seised court is to err on the side of caution. The Advocate General's opinion contains a footnote referring to a decision of the English High Court in *Virgin Aviation Services Limited v. CAD Aviation Services* [1991] I.L.Pr. 79, in which that court held that there was a strong 'presumption' in favour of allowing an application for a stay.*

*[49] That said, however, the Advocate General went on to identify three factors which may 'be relevant' to the exercise of the discretion vested in national courts. These were, first, the extent of the relatedness and the risk of mutually irreconcilable decisions; second, the stage reached in each set of proceedings, and, third, the proximity of the courts to the subject matter of the case.*

*[50] But, nonetheless, as a general rule, I think a stay should be granted by the second court. For a case to be clear, the facts would have to very clearly indeed point to a refusal of a stay. The Advocate General's observations must be seen in light of the judgments of the Court of Justice."*

160. The court notes in passing that it has been referred by Vodafone GmbH to the decision of the English Court of Appeal in *Research in Motion Ltd v. Visto Corporation* [2008] EWCA Civ. 153, and in particular to the following observations of Mummery L.J., at para. 37:

*"[T]he application of art 28 [now Art. 30]...is not entirely mechanical. It requires an assessment of the degree of connection, and then a value judgment as to the expediency of hearing two actions together (assuming they could be so heard) in order to avoid the risk of inconsistent judgments. It does not say that any possibility of inconsistent judgments means that they are inevitably related. It seems to use that the Article leaves it open to a court to acknowledge a connection, or a risk of inconsistent judgments, but to say that the connection is not sufficiently close, or the risk is not sufficiently great, to make the actions related for the purposes of the Article. Mechanics do not, for once, provide a complete answer."*

161. It seems to the court that, in Ireland, case-law identifies a clear path to the application of Art. 30. Thus MacMenamin J. unequivocally and, if this Court might respectfully observe, entirely rightly states in *Websense*, at para. 48, that "[T]he second seised court is to err on the side of caution". That is entirely consistent with the decisions of the Court of Justice which point to the need for legal certainty as a bedrock of the Recast Brussels Regulation; and such legal certainty is only attainable if Member State courts swallow their doubtless proper pride in the attractions of their own domestic legal systems and err on the side of caution when they encounter proceedings of which the court of another Member State is already seised and an associated risk of irreconcilable judgments presents, a risk the avoidance of which is a central objective of the Recast Brussels Regulation.

(iii) *FKI Engineering Ltd v. Stribog Ltd*

[2012] 1 W.L.R. 3264.

162. A German company agreed pursuant to a business transfer agreement (BTA) to sell its assets to the defendant. The BTA was governed by English law and England was the exclusive place of jurisdiction. Insolvency proceedings were begun in Germany in relation to the German company, at which time the purchase price under the BTA remained outstanding. The administrator of the German company purported to assign claims against various parties, including the defendant, to the exclusive place of jurisdiction. In September, 2009, the defendant commenced an action in Germany, seeking a declaration of non-liability to the claimants for any claims or rights, with the exception of any potential purchase rights or claims under the BTA. In January, 2010, the claimants brought an action in the High Court against the defendant for breach of the BTA and payment of the sum due thereunder. In February, 2010, the defendant made a statement in the German action in which it asserted that the assignment agreement was void under German law and therefore the claimants had no rights or claims under it. So the sequence was an action in Germany claiming a declaration of non-liability under the BTA, followed by proceedings in England for breach of the BTA. The defendant applied to have the English action stayed under the Brussels Regulation and the question which arose was whether the English court of the German court was the court "first seised" within the meaning of what was then Art. 28 of the Regulation and what is now Art. 30. In his judgment in the English Court of Appeal, Mummery L.J. observed as follows, at paras. 40–45:

*"[40]...I prefer to go first to the overall context and scheme of Section 9, to read closely the language of arts 28 and 30 and to apply the provisions step-by-step to the facts of this case.*

*[41] The first step is the deemed seisin of proceedings by courts in two member states. The court from which a stay is sought must look at the position in its courts and in the courts of the other member state concerned and decide whether they are deemed to be seised of an action, not...seised of a particular issue in an action. The German court is deemed to be seised of the German action. The English court is deemed to be seised of the English action.*

*[42] The second step is chronology. The court must determine the date when the courts of each member state were deemed to be seised of the action instituted in them. The German courts were deemed to be seised of the German action on 18 September 2009. The English courts were deemed to be seised of the English action on 21 January 2010.*

*[43] The third step is competitive. The German courts were deemed to be seised on 18 September 2009, which was before 21 January 2010 when the English courts were seised of the English action. Purely in terms of chronology the German court was first seised and the English courts were not therefore first seised.*



[44] The fourth step is comparative. The English courts, as the courts not first seised, have to compare the proceedings in the two member states to see whether they are related actions. If they are not related actions, the question of a stay does not arise. There is no risk of irreconcilable judgments. In making the comparison the court looks at all the circumstances, not just at the circumstances at the date of the institution of the English action, in order to see how closely related the actions are and whether there is a risk of irreconcilable judgments in separate proceedings. In this case it is agreed that the actions were related at the time of the issue and hearing of the application. There is a risk of irreconcilable judgments in these actions if the English courts decide that the assignment agreement is valid and the German courts decide that it is void (or vice versa). There is therefore a discretion in the English courts to stay the English action.

[45] The fifth and final step is whether the discretion should be exercised to grant a stay. That turns on the circumstances at the date of the hearing...".

163. In his judgment, Rix L.J. observed as follows, at paras 118–119:

"[119] I turn next to the art 28 concept of related actions. It is only when there are related and pending actions in separate member states that art 28 comes into issue ('Where related actions are pending in the courts of different Member States ...'). If there is only one action, there cannot be related actions. Once there are at least two actions pending in different member states, then it is possible to ask whether they are related and also which of the courts is first seised...FKI's submission in effect seeks to roll the two questions together and ask: which of the two courts is the first to be seised of an action which at the time of its seisin was a related action? This is the concept of the 'first related action', a concept found in neither art 28 nor art 30. Stribog on the other hand asks: once you have found two related and pending actions and seek to stay one of them, invoking art 28, which of the two courts was the first to achieve seisin of one or other of those actions?

[120] In my judgment, the latter question is the correct one, and is to be preferred to the former..."

164. In summary, the argument in *FKI* was 'yes, the German proceedings were first, but the matter that was in issue in the English proceedings was only placed in issue in the German proceedings after the English proceedings had commenced'. And the answer of the Court of Appeal was that it did not matter that the matter that was in issue in the English proceedings was only belatedly placed in issue in the German proceedings; what mattered was that that matter was now part of the German proceedings and the German court was seised first in time. When it comes to the within proceedings the relevance of the approach of the Court of Appeal in *FKI* to the matter at hand is clear.

## XX. Some Conclusions Regarding Art. 30

165. Some latitude must be afforded by the court when it comes to the application of Art. 30; it is not a jurisdiction that falls to be applied in a pedantic or 'pernickety' manner. As Lord Saville makes clear in *Sarrio*: (1) the objective of Art. 30 is (a) to improve co-ordination of the exercise of judicial functions within the Community and (b) to avoid conflicting and contradictory decisions; (2) it follows that the phrase 'irreconcilable judgments' should not therefore be given a limited meaning; (3) all of the foregoing points to a need for a broad common-sense approach to the question whether actions are related, bearing in mind the objective of Art. 30 and refraining from over-sophisticated analysis of the matter.

166. In truth, the court could conclude even by reference to the foregoing points alone and its analysis in the preceding pages of the overlap between the German Proceedings and the Irish Proceedings, that some form of relief under Art. 30 ought now to be granted. That this is the proper conclusion to reach becomes doubly clear when one applies the logic of *MacMenamin J.* in *Websense* to the matters at hand. Indeed, *Mac Menamin J.*'s observations, at para. 39 of his judgment in that case, sound just as true in the within application as they doubtless did in those before the Supreme Court on that occasion, viz:

"When one asks oneself the first question – is there a connection between these two set of proceedings – the answer must undoubtedly be 'yes'. The next question is whether there must inevitably be a significant overlap between the witnesses in the two cases? The answer must be 'yes' also. Finally, one might ask whether a determination in one case would have a significant bearing on the ultimate outcome of the two cases, having regard to claims and potential counter-claims? Here, the answer is 'yes' again."

167. Even if the court had some doubt as to the proper conclusion to be reached as regards whether its Art. 30 jurisdiction falls to be applied in the within proceedings (and it does not; relief under Art. 30 ought now to issue), its view as to the appropriateness of its now granting relief under Art.30 is copper-fastened by *MacMenamin J.*'s observation, at para. 48 of his judgment in *Websense* that "the second seised court", i.e. here this Court, "is to err on the side of caution."

## XXI. Order 11

### (i) Overview.

168. Order 11 of the Rules of the Superior Courts (1986), as amended, is concerned generally with "Service Out of the Jurisdiction". Given that service is the foundation of jurisdiction and that service out of the jurisdiction is not permissible except in the circumstances prescribed by O.11, the question of whether an Irish court has jurisdiction in a claim involving a foreign defendant or element essentially involves an inquiry as to whether service out is permissible under O.11. The court has previously analysed the principles relevant to the application of O.11 in its judgment at the ex parte stage of the within proceedings (see *Vodafone GmbH v. IV International Licensing and Intellectual Ventures II LLC* [2016] IEHC 321). It proceeds now to consider particular points arising from various contentions made by IV in its submissions.

### (ii) Is IV II a "necessary or proper party"?

169. Order 11(1)(h) offers as a ground on which service out of the jurisdiction of an originating summons or notice of same may, at the court's discretion, be allowed, is that a "person out of the jurisdiction is a necessary or proper party to an action properly brought against some other person duly served within the jurisdiction". The test for whether a defendant is a proper party under O.11, r.1(h) was stated by Fennelly J. in *Analog Devices B.V. v. Zurich Insurance Company* [2002] 1 I.R. 272, 283–4 applying the judgment of Barrington J. in *Short v. Ireland* [1996] 2 I.R. 188, 216, to be "whether the person out of the jurisdiction would, if he were within the jurisdiction, be a proper person to be joined as a defendant in the action against the other defendants." There is no reason to believe that IV II is not a proper party to the within proceedings; on IV's own case, IV II is the registered owner of the patents which IVIL intends to license.

(iii) A Premature and Inarguable Claim?

170. Order 11(1)(f) offers as a ground on which service out of the jurisdiction of an originating summons or notice of same may, at the court's discretion, be allowed, is that "the action is founded on a tort committed within the jurisdiction". At para. 53 of its judgment in *Huawei*, the Court of Justice states that "[A] refusal by a proprietor of the SEP to grant a licence on... [FRAND] terms may, in principle, constitute an abuse within the meaning of Article 102 TFEU". Does this offer a basis for a valid cause of action in tort? The short answer to this question, having due regard to the judgment of Geoghegan J. in *Schmidt v. Home Secretary* [1995] 1 ILRM 301 is 'yes'.

171. In *Schmidt*, the eponymous plaintiff had been granted liberty to serve proceedings out of the jurisdiction on, *inter alia*, the British Home Secretary and the London Metropolitan Police Commissioner and a named individual, claiming damages for, *inter alia*, a conspiracy to deprive the plaintiff of rights to free movement pursuant to the Treaty of Rome. The proceedings against the Home Secretary were later found, on grounds of sovereign immunity, not to be maintainable. Thereafter, the Police Commissioner and the other defendant were successful in having the service of the plenary summons on them set aside. The case is of interest in the context of the within proceedings because among the points raised by the Commissioner and his fellow defendant were whether the torts alleged were committed within Ireland. In this regard, Geoghegan J. observed as follows, at 305:

*"In my opinion breaches of constitutional rights and actionable breaches of Community law which give rise to a claim for damages, are 'matters relating to tort' within the meaning of article 5 of the Judgments Convention. It was as a result of judge-made law [if there be such a thing, as opposed to an ever-clearer recognition by the judicial branch of government as to the precise ambit and scope of existing law] that breach of statutory duty became regarded as a tort. If breach of statutory duty is a tort, I cannot see any reason why breach of a constitutional right or breach of European Community law in circumstances where the respective breaches give rise to claims for damages should not be categorised as torts."*

172. It seems to follow by analogy, having regard to the above-quoted observation of the Court of Justice in *Huawei*, that what is being claimed in the Irish Proceedings against IVIL and IV II as joint tortfeasors is a valid cause of action. As to whether there are any merits to this cause of action is a matter for another court on another day following a full hearing of the substantive dispute. And it is alleged by Vodafone GmbH that the alleged tort transpired in this jurisdiction. Three related points might usefully be touched upon at this juncture. First, the court considers the charges of prematurity on Vodafone GmbH's part to be undermined fatally by IV's position that Vodafone can and should now pursue its cause of action in Germany. Second, it seems to the court that the Irish Proceedings, to borrow from the terminology of Professor Tribe referred to previously above, are focused on a set of tangible as opposed to imagined facts, have a definite setting and are not based on conjecture. Third, it follows from all of the foregoing that there is a real question to be tried between the parties concerning a valid cause of action; consequently any argument that the cause of action is inarguable must fail.

(iv) Improper Purpose.

173. There has been some suggestion that the within proceedings were effectively instituted for an improper purpose. It seems to the court that there is an entirely legitimate purpose to the within proceedings which has been set out *in extenso* in the affidavit evidence furnished to the court by Vodafone GmbH. The height of the claim as to improper purpose seems to revolve largely around Ms Finocchio's averment in her second affidavit that in Vodafone GmbH's defence in the German Proceedings, it stated that among the reasons for commencing the Irish Proceedings was that "*For answering the essential question whether an offer was made under FRAND terms, it is to be assessed, among other things, whether the conditions offered are unreasonably disadvantageous for the party seeking a license with respect to other licensees... As opposed to European continental legal systems, Irish law offers the option to obtain access to such agreements by means of discovery.*" That is not a statement that the entire purpose of the Irish Proceedings is merely a ploy to gain access to another party's documentation through the medium of discovery. That Vodafone GmbH's legal team might consider the availability of the facility of discovery in Ireland to be an attraction of court proceedings in Ireland does not suffice to clothe those proceedings with an improper purpose.

(v) Non-Disclosure.

174. It will be recalled that among the reliefs sought in the notice of motion is an order pursuant to the inherent jurisdiction of the court declining jurisdiction in the within proceedings by reason of, *inter alia*: Ireland being *forum non conveniens*, and wrongful non-disclosure at the *ex parte* stage of the within proceedings. The issue of *forum non conveniens* is touched upon in the next section below. The court turns for now to the issue of non-disclosure. Again, the height of IV's case in this regard does not reach especially high. Thus Ms Finocchio, in her first affidavit, avers as follows:

"14. On Thursday 9 June 2016, the Plaintiff made an *ex parte* application...to serve a Notice of Plenary Summons out of the jurisdiction on Intellectual Ventures II....

15. I have been advised by Matheson and believe that the Plaintiff, in the course of its Application...contended that the Irish Proceedings do not relate to the subject matter of the German Proceedings and that no risk of conflicting judgments arises. The Defendants disagree with this contention. I am informed by Intellectual Ventures II's German lawyers and believe that there is overlap between the issues to be adjudicated related to the patents asserted in the German Proceedings and these proceedings."

175. That one party disagrees with another party's characterisation as a matter of law of what was in issue in a set of foreign court proceedings appears to the court to fall considerably short of material non-disclosure, doubly so perhaps when one has regard to the fact that the court has found there to be no improper purpose to Vodafone GmbH's commencement of the within proceedings. Certainly such disagreement offers no basis for the court to invoke what counsel for Vodafone GmbH described at the hearing of the within application as the "nuclear option" of discharging the O.11 order. While the court has indicated a number of times in the course of this judgment that it would perhaps have been preferable if it had been apprised of certain additional facts at the *ex parte* stage, there seems nothing sinister or suspect in the fact that it was not, and it does not see in any want of disclosure as may have arisen anything that would have been material to the exercise of the court's jurisdiction at that time. As to the substance of the Defence that was filed in July 2016, the court recalls in this regard the observation of counsel for Vodafone GmbH, at hearing, that "[T]he court may take the view 'Well, perhaps my attention should have been drawn to the fact that, as a matter of German law, arguments of this type might well come up in the course of the German proceedings.' Now obviously when we were moving the application we weren't aware in any shape or form of what the content of the German Defence was; we have no role in respect of that, Judge. So there's no question of us having some draft Defence in our back pockets which we held back from the court. Certainly if a Defence had been in at that point in time, I imagine I would have been drawing the court's attention to the Defence to say 'Well,

just so you know, Judge, FRAND does come up but in a wholly different context in Germany and doesn't in any way cut across our case." The view that the court takes in this regard is this: full disclosure is demanded of a party making application on an ex parte basis, and for good reason; but perfection is never sought by our laws or courts, for that would be to set a standard which parties would rarely, if ever, attain. There was no non-disclosure at the ex parte stage that would justify the court in now setting aside its O.11 order.

(vi) *Forum non conveniens*.

176. It is common case that no *forum non conveniens* issue can be raised by IVIL because it is what might be styled a 'Recast Brussels Regulation' defendant. However, IV contends that, as a matter of law, IV II can seek to claim that the appropriate forum of the within proceedings is Germany, notwithstanding, it might be noted that IV II is a Delaware company. Having regard to the decision of the Court of Appeal in *Abama v. Gama Construction (Ireland) Ltd and ors* [2015] IECA 179, which draws heavily on the decision of the Court of Justice in *Owusu*, the court respectfully does not agree that this is so.

177. *Abama* was a case in which the plaintiffs conceded that they may have put a foot wrong procedurally when they sought an order for service out of the jurisdiction in respect of the second defendant by relying upon O.11, r.(1)(e) of the Rules of the Superior Courts prior to the commencement of the proceedings. The particular problem arising was that there was no Recast Brussels Regulation endorsement on the initial plenary summons; the plaintiff sought to amend their hand in respect of the endorsement; and the Turkish defendant contested this, submitting that no mere procedural error occurred, a conscious decision had been made by the plaintiffs to move an application for leave to issue and serve the proceedings outside the jurisdiction under O.11, and that the order made should be set aside on the basis of common law principles regarding *forum non conveniens*.

178. The Court of Appeal considered that the appeal could be determined by a consideration of whether Dunne J., then in the High Court, had been correct to conclude that the Irish courts enjoyed jurisdiction to hear and determine the plaintiffs' claims under the Brussels Regulation and that by virtue of the decision of the Court of Justice in *Owusu*, this 'trumped' the exclusive jurisdiction clause and the principles of *forum non conveniens*. In giving its judgment, the Court of Appeal observed, *inter alia*, as follows:

"34. Two decisions in particular were relied upon by the plaintiffs before Dunne J. and again on this appeal, namely that in *Owusu v. Jackson* (trading as Villa Holidays Bal-Inn Villas and others (Case C281/02 [2005] E.C.R.-I 383 ) and *Goshawk Dedicated Limited and Others v. Life Receivables Ireland Limited* [2008] I.E.H.C. 90 each generally to the effect that the Regulation supersedes the common law principles of *forum non conveniens*, and overrides the exclusive jurisdiction clause contained in the individual contracts of employment entered into between Gama Turkey and each of the plaintiffs.

35. As noted by Dunne J. in her judgment, Mr Owusu...a British national...sustained an injury while on holiday in Jamaica. He had rented a villa there from Mr Jackson, another British national. An action was commenced in the United Kingdom for damages for personal injuries in which Mr Jackson and a number of Jamaican registered companies were named as defendants. The plaintiff was granted leave to serve proceedings out of the jurisdiction on the Jamaican companies, who in due course applied to have the proceedings stayed on the basis of *forum non conveniens*.

[Court Note: For present purposes, it suffices to note that in *Owusu* there was a UK defendant national and a large number of Jamaican entities, with the latter raising the issue of *forum non conveniens*.]

The UK court decided at first instance that in view of the Brussels Regulation it could not stay the proceedings. On appeal a reference was made to the European Court of Justice seeking a ruling on the following question:

"Is it inconsistent with the Brussels Convention..., where a claimant contends that jurisdiction is founded on Article 2 [now Art.4], for a court of a Contracting State to exercise a discretionary power, available under its national law, to decline to hear proceedings against a person domiciled in that State in favour of the courts of a non-Contracting State: (a) if the jurisdiction of no other Contracting State under the 1968 Convention is issue; (b) if the proceedings have no connecting factors any other Contracting State?"

36. In answering this question in the affirmative, the ECJ stated the following....

[Court Note: There are some errors in the transcription of the CJEU judgment as set out in the judgment of the Court of Appeal. The court has therefore inserted the correct text below.]

[The compatibility of the *forum non conveniens* doctrine with the Brussels Convention

'37...[A]rticle 2 of the Brussels Convention is mandatory in nature and...according to its terms, there can be no derogation from the principle it lays down except in the cases expressly provided for by the Convention....It is common ground that no exception on the basis of the *forum non conveniens* doctrine was provided for by the authors of the Convention....

38 Respect for the principle of legal certainty, which is one of the objectives of the Brussels Convention...would not be fully guaranteed if the court having jurisdiction under the Convention had to be allowed to apply the *forum non conveniens* doctrine.

[Court Note: This is a rigorous assertion by the CJEU of the need for respect for the principle of legal certainty to prevail over the application of *forum non conveniens*; great emphasis is placed by Vodafone GmbH on this assertion.]

39 According to its Preamble, the Brussels Convention is intended to strengthen in the Community the legal protection of persons established therein, by laying down common rules on jurisdiction to guarantee certainty as to the allocation of jurisdiction among the various national courts before which proceedings in a particular case may be brought....

40 The court has thus held that the principle of legal certainty requires, in particular, that the jurisdictional rules which derogate from the general rule laid down in article 2 should be interpreted in such a way as to enable a normally well-informed defendant reasonably to foresee before which courts, other than those of the state in which he is domiciled, he may be sued....

41 Application of the *forum non conveniens* doctrine, which allows the court seised a wide discretion as regards the question whether a foreign court would be a more appropriate forum for the trial of an action, is liable to undermine the

*predictability of the rules of jurisdiction laid down by the Brussels Convention, in particular that of article 2, and consequently to undermine the principle of legal certainty, which is the basis of the Convention.*

[Court Note: Notwithstanding the foregoing, IV II seeks to make the case that Germany would be a more appropriate forum, under the doctrine of *forum non conveniens*, for the determination of the issues arising between the parties to these proceedings. However, as para. 41 of the judgment in *Owusu* intimates, if IV seeks to make such a case, it must do so and can only do so by reference to Art(s). 29 or (and) 30 of the Recast Brussels Regulation.]

*42 The legal protection of persons established in the Community would also be undermined. First, a defendant, who is generally better placed to conduct his defence before the courts of his domicile, would not be able, in circumstances such as those of the main proceedings, reasonably to foresee before which other court he could be sued. Second, where a plea is raised on the basis that a foreign court is a more appropriate forum to try the action, it is for the claimant to establish that he will not be able to obtain justice before that foreign court or, if the court seised decides to allow the plea, that the foreign court has...no jurisdiction to try the action or that the claimant does not, in practice, have access to effective justice before that court, irrespective of the cost entailed by the bringing of a fresh action before a court of another state and the prolongation of the procedural time limits.*

*43 Moreover, allowing forum non conveniens in the context of the Brussels Convention would be likely to affect the uniform application of the rules of jurisdiction contained therein in so far as that doctrine is recognised only in a limited number of contracting states, whereas the objective of the Brussels Convention is precisely to lay down common rules to the exclusion of derogating national rules.*

[Court Note: As counsel for Vodafone GmbH rightly noted at the hearing of the within application, with Ireland now teetering on becoming the only thoroughly common law jurisdiction within the European Union, the idea that it would be the only jurisdiction in the European Union that would be subject to the Recast Brussels Regulation, yet continue a mutually incompatible, free-standing common law doctrine within the proper scope of that Regulation, would not be tolerable for the reasons stated in *Owusu*.]

*44 The defendants in the main proceedings emphasise the negative consequences which would result in practice from the obligation the English courts would then be under to try this case, inter alia as regards the expense of the proceedings, the possibility of recovering their costs in England if the claimant's action is dismissed, the logistical difficulties resulting from the geographical distance, the need to assess the merits of the case according to Jamaican standards, the enforceability in Jamaica of a default judgment and the impossibility of enforcing cross-claims against the other defendants.*

[Court Note: None of these ostensibly compelling features present in the within application.]

*45 In that regard, genuine as those difficulties may be, suffice it to observe that such considerations, which are precisely those which may be taken into account when forum non conveniens is considered, are not such as to call into question the mandatory nature of the fundamental rule of jurisdiction contained in article 2 of the Brussels Convention, for the reasons set out above.*

[Court Note: Again, this is the firmest of assertions that the mandatory nature of the fundamental rules of jurisdiction contained within the Brussels Regulation cannot be called into question, irrespective of the merits of any *forum non conveniens* considerations.]

*46 In the light of all the foregoing considerations, the answer to the first question must be that the Brussels Convention precludes a court of a contracting state from declining the jurisdiction conferred on it by article 2 of that Convention on the ground that a court of a non-contracting state would be a more appropriate forum for the trial of the action, even if the jurisdiction of no other contracting state is in issue or the proceedings have no connecting factors to any other contracting state.*

[Court Note: To the extent that IV seeks to maintain, and it is not entirely clear that IV does seek to so maintain, that *Owusu* was a case in which it was sought to see proceedings continue before the courts of Jamaica, a non-EU member state, whereas IV is here invoking the principles of *forum non conveniens* to see a case proceed before the courts of another EU member state, such a contention, though it may appear superficially attractive, is not compatible with the cardinal legal principle laid down in *Owusu*, viz. that in circumstances where there is a Brussels Regulation defendant there is no scope for the application of the common law doctrine of *forum non conveniens*. In such circumstances, it appears to the court, the Recast Brussels Regulation is transcendent and ousts any attempt to rely on *forum non conveniens*.]]

*37. Having noted the answer given by the ECJ in Owusu, Dunne J. went on to note the comments of Clarke J. in Goshawk when he refused a stay in that case on the grounds that the Regulation removed the discretion of the court under the common law, and she noted also that the Supreme Court had agreed. Dunne J. concluded in this regard:*

*"The thrust of the decision in Owusu is that national courts are deprived of the common law jurisdiction to stay proceedings on grounds of forum non conveniens....It is my view that Owusu is equally binding to deprive a national court of the common law jurisdiction in relation to the exercise of discretion in the context of a choice of jurisdiction clause subject, of course, to the provisions of the Regulation in relation to choice of jurisdiction clauses. In this case, the plaintiffs have contended that Article 21 of the...[Regulation] which concerns contract of employment precludes the operation of the choice of jurisdiction clause relied on by the defendants as it was not entered into after the dispute between the plaintiffs and the defendants had arisen. Assuming that the Regulation is applicable to this case, I agree with that contention."*

*38. Dunne J. went on to conclude that the Regulation was applicable and could be invoked by the plaintiffs despite the fact that they had moved their application for service out of the jurisdiction under O.11. and had not invoked O.11A or 11B RSC, and had not included within the Plenary Summons the endorsement required by O. 4, rule 1A RSC as already referred to above. Her conclusion that the Regulation is the basis of the Court's jurisdiction over the plaintiffs' claims despite a procedural irregularity by the plaintiffs in failing to include that endorsement in their Plenary Summons was, she felt, and correctly so in my view, supported by a passage which she quoted in her judgment from Cheshire, North and Fawcett on Private International Law....*

*39. Dunne J. concluded that the failure to adhere to the correct procedure by the plaintiffs did not oust the application of the Regulation, and suggested that an application to amend may be necessary to show the basis on which jurisdiction*

*is invoked. The plaintiffs, as already noted, made such an application to amend before White J. and this was granted. That order is the subject of appeal before this Court also.*

[Court Note: Striking in the foregoing is the sheer force of the primacy of the Recast Brussels Regulation in this area, to the extent that even if one has not properly endorsed a plenary summons (a fundamental requirement because one has to show on the face of the summons that the Recast Brussels Regulation governs these matters), such an omission can be cured. In passing, the court notes one minor point arising as regards the endorsement on the plenary summons in the within proceedings. It states, *inter alia*, as follows: "This Honourable Court has jurisdiction pursuant to...[the Recast Brussels Regulation], Article 4(1) and, so far [as] is necessary, Article 7(2) to hear and determine the Plaintiff's claim against the First Defendant". In fact, Art. 4(1) is the basis for jurisdiction; it is now accepted by Vodafone GmbH that Art. 7(2) has no application in the circumstances presenting.]

*40. I am satisfied that the reasons stated by Dunne J. for her conclusion that the plaintiffs are entitled to rely on the provisions of the Regulation as forming the basis of jurisdiction, and therefore that the discretionary application made by the defendants for a stay in these proceedings is precluded by virtue of the application of the Regulation having regard to the decision in Owusu are correct."*

(vii) Conclusion.

179. For all of the various reasons identified above, the court considers that there is no basis for discharging the O.11 order.

#### **D. RELIEFS SOUGHT**

##### **XXII. Reliefs Sought**

180. Having regard to the reasoning and conclusions afore-stated, the court identifies below the various reliefs for which application has been made by IV and what reliefs it is satisfied to grant at this time:

(1) An order pursuant to Art. 29(3) of the Recast Brussels Regulation declining jurisdiction in the within proceedings in favour of the courts of Germany, together with, if necessary, a stay on the within proceedings pursuant to Art. 29(1) of same.

The court declines to make the order sought.

(2) An order pursuant to Art. 30(2) of the Recast Brussels Regulation declining jurisdiction in the within proceedings in favour of the courts of Germany.

The court declines to make the order sought.

(3) A stay on the within proceedings pursuant to Art. 30(1) of the Recast Brussels Regulation.

For the reasons stated previously above, it seems appropriate to the court that relief in the form of a stay on the within proceedings at this time ought now to issue. A final judgment of the Düsseldorf Court is expected in the German Proceedings in September of this year. At that point much that has been considered in the within judgment will, upon the issuance of that judgment, have been realised and/or become clear(er). Thus, along with the said stay, which is to continue in being until any (if any) future order of the court regarding such stay is made, the court is satisfied also to grant each and all of the parties liberty to make such application to the court as may seem appropriate following the issuance by the Düsseldorf Court of the final judgment aforesaid.

(4) An order pursuant to the inherent jurisdiction of the court declining jurisdiction in the within proceedings, including by reason of any of (a) non-compliance with O.11 of the Rules of the Superior Courts 1986, as amended, (b) Ireland being forum non conveniens, (c) wrongful non-disclosure at the ex parte stage of the within proceedings, and (d) such further or other reason as seems appropriate to the court.

The court declines to make the order sought.

(5) An order setting aside the ex parte grant of leave on 9th June, 2016, to Vodafone to serve the within proceedings outside Ireland on IV II.

The court declines to make the order sought.

(6) An order on any of the foregoing bases, declining jurisdiction over such part/s of the within proceedings as to the court seems or seem fit.

The court declines to make the order sought.