Topics in our issue:

Patent law vs abuse of market power

Patent law and cartel law occasionally are in conflict with each other: while patent law grants the owner of a patent an exclusive right and thereby automatically limits competition, cartel law wants to give as many consumers as possible access to products, thereby banning agreements that are capable to restrict competition or to abuse market power.

Standardisation is the instrument of choice to ensure that competing and supplementing products become compatible and interoperable. To achieve this, market participants associated in a standard-setting organisation agree on a given technology to be the future standard for all. In return, patent holders irrevocably undertake vis-à-vis this organisation to license the right to utilise such patents at fair, reasonable and non-discriminatory terms (FRAND licences) to any interested third party. In respect of patents that are essential for a given standard, this leads to conflicts because the standard cannot be met without utilising such patents.

In the context of standard-essential patents (SEPs), even the promise of a patent holder to grant third parties FRAND licences for the use of such patents does not prevent regular disputes between the patent holder and the potential SEP licence seeker. This has resulted in two approaches to this problem: The German Federal Supreme Court (BGH 6 May 2009, KZR 39/06, Orange Book Standard) found a licence seeker's compulsory licence-defense under cartel law to be justified only when the seeker first submits an unconditional offer to enter into a licence agreement to which the seeker is bound and which the patent holder must not reject without unreasonably hamper the licence seeker or violating the ban on discrimination. If the licence seeker already uses the subject matter of the patent he needs to make sure that he complies with the obligations arising from the licence agreement to be entered into.

In contrast, the European Commission, in two decisions of 29 April 2014 (Samsung, C [2014] 2891 and Motorola, C [2014] 2892), found that the potential

MARCH 2016

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infringer's "willingness to negotiate a licence" suffices for the pantentee's abuse of the dominant position on the market within the meaning of Article 102 TFEU. For this willingness it suffices that a period of up to twelve months is determined for licensing negotiations and the parties accept that a court or arbitration panel determines the terms in the event that no agreement, in particular with regard to the FRAND level, can be reached within this period. Specifically, the patent holder must not request any repayment or non-aggression clauses nor prevent the user from attacking the validity of applicable protective rights.

Given these divergent opinions of German courts and the European Commission, the Regional Court of Düsseldorf submitted to the Court of Justice of the European Union questions regarding the market power abuse of a holder of a standard-essential patent, to which the CJEU replied on 16 July 2015 (HUAWEI, C-170/13).

The CJEU denied an abuse of a market-dominant position by the SEP holder when prior to filing a claim the SEP holder has made aware the alleged infringer of the patent by designating the standard-essential patent and specifying the way it has been infringed, and, once the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, the SEP holder presents a written offer for a licence on FRAND terms (or specifies the amount of the royalty and the calculation methodology) and the SEP infringer, while continuing to use the patent, fails to respond to this offer with diligence, in accordance with recognised commercial practices in the field and in good faith.

It follows from the above that the holder of a standard-essential patent needs to:

- notify and hear the potential infringer before applying for an injunction,
- submit a written offer to the potential infringer.

In return, the licence seeker needs to:

- promptly respond to the offer,
- deposit a security for the utilisation of the patent.

The potential infringer must not be obliged not to contest the validity of the SEP.

With this decision, the CJEU essentially follows the argument made by the European Commission. Even though this clarifies key issues in connection with FRAND licences, there are some points still in need of clarification.

Thus it is not clear whether the FRAND principles also apply to a de facto standard. In the case of an agreed standard, the patent holder has made a FRAND commitment to the standard-setting organisation, but such a commitment is missing in standard-essential patents that have gained general acceptance "only" as de-facto standards. Considering that a de-facto standard also grants the patent holder a market-dominant position, the principles of the CJEU ruling appear to be applicable in this case as well.

Similarily unclear is whether the FRAND principles are to be extended to offers for licensing a patent pool (patents by several businesses participating in a technology pool) and patent portfolios (several patents by a single business which are made up of independent technologies). In the former case, the offer to license the entire patent pool is generally not expected to be an abuse of market power, but the latter case may well be an abuse when it increases the probability that the licensee is forced to acquire patents he has no use for.

Moreover, it is still unclear how to design the FRAND licence terms because the general requirement that they be fair, reasonable and non-discriminatory does not clarify what exactly is meant by fair, reasonable and non-discriminatory in an individual case.

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(March 2016)

New rules for all-in contracts

Same as almost every year, January brought numerous changes in employment law. Some of the new rules will apply to all-in contracts, starting on 1 January 2016.

Lump-sum compensation for overtime has become a prevailing practice not just for executive-level employees, but is deemed to be legally acceptable also for non-executive employees. As a basic rule for all types of lump-sum compensation for additional working hours, employees must not be worse off than when paid for by actual overtime put in. Employers therefore need to observe some rules when negotiating lump-sum contracts.

A key point is that a lump-sum payment mode must not be automatically deduced when a salary exceeds the collective bargaining agreement, even when the excess payment is substantial. It requires an agreement between employer and employee, which preferably should be **in writing**, given the current amendments to employment law.

Basically, an agreement on the lump-sum payment of additional working hours can be made in two modes: **a lump-sum payment for overtime or an all-in contract**. The former covers only a given number of overtime hours as expressly specified in the employment contract, while the all-in clause names a total payment (in excess of the collective bargaining agreement) which covers any and all additional performance. Either mode regulates only the type of payment for additional work put in but neither obliges the employee to actually work overtime. Employers are therefore recommended to include an obligation to this end on the part of the employee in the employment contract.

Both lump-sum payment for overtime and all-in salary are due regardless of whether or not overtime is actually put in. The lump-sum payment offers an advantage to employers inasmuch as the employer can reserve the right to revoke it. If an employer does not expressly reserve this right, the payment must not be unilaterally cancelled. The all-in salary is impossible to revoke unilaterally.

As already mentioned, employees must not be worse off in their lump-sum overtime compensation than they would be if paid the minimum collective bargaining agreement salary plus additional working hours paid individually. Both modes require an **examination** whether the payment to the employee is at least identical to the basic hourly rates and other payments due under the law or collective bargaining agreement. This examination compares the lump-sum payment to the fictitious amount that the employee would have received if these hours had been compensated individually. Unless otherwise agreed, this examination is carried out for a period of one year. If the additional hours/overtime actually put in are/is not covered by the lump-sum payment the employee is entitled to an additional payment. Lump-sum agreements are permissible only for as long as the payment is not below the minimum pay specified in the collective bargaining agreement.

In order to carry out this comparison, court rulings have already in the past required a clear **split by basic salary and all-in salary**. Aiming at greater transparency in salary agreements, Section 2 (2) 9 of the Austrian Law Amending the Labour Contract Law (AVRAG) makes it clear that the employment contract/slip expressly needs to show the amount of the basic salary. Reference to the applicable provisions in laws or collective bargaining agreements regarding the basic salary is no longer sufficient.

It is also important to note that the employee must be informed of any change in the basic salary in writing not later than one month after it becomes effective, except when the change was made due to amendments in the law or collective bargaining agreement

(March 2016)

or is the direct consequence of seniority-dependent advancements in the same employment or occupational group.

Section 2g AVRAG moreover provides that, if no basic salary is stated in an all-in contract, the employee is entitled to a basic salary, including additional payments customary in the sector and location, as is due to comparable employees working for comparable employers at the location of the workplace ("actual basic salary"). This actual basic salary as is customary in the sector and location needs to be used in calculating the requisite parts of the pay, except if otherwise provided in the collective bargaining agreement.

Given the new legal situation, employers are advised to state the minimum collective bargaining salary as the basic salary in the employment contracts. This complies with the law and allows utilising the maximum financial leeway with regard to the examination. Employees enjoy greater transparency under the new rules and are provided with a clear underpinning for asserting any overtime put in in addition to the all-in payment.

In conclusion, it should be noted that neither lump-sum overtime payments nor all-in contracts allow waiving the statutory obligation to keep records of working hours. For more details on how to keep records of working hours see our P) News issue of October 2015.

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P) Inside

Handbuch Vergaberecht, a manual on public procurement law first published by Preslmayr together with Heid Schiefer Rechtsanwälte in 2002, is now available in its fourth edition. This new edition accounts for many new developments and the latest court rulings in the field, bringing a tried and tested standard volume on public procurement fully up to date. It also considers the 2015 Amendment of the Federal Procurement Act, effective as of 1 March 2016, which will be the subject of one of our next P) News issues.

The chapters supplied by our **experienced public procurement law specialists Dieter Hauck and Oliver Walther** on the cartel law aspects of public procurement and the legal protection in tender proceedings have made a significant contribution to the great success of the manual.

ISBN: 9783700762454
Published by LexisNexis ARD Orac

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