

**PLAYING NICE WITH PATENTS: DO VOLUNTARY NON-
AGGRESSION PLEDGES PROVIDE A SOUND BASIS FOR
INNOVATION?**

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As part of a growing phenomenon, patent holders are increasingly making voluntary, public commitments to limit their patent's enforcement and other exploitation. While most of these commitments are FRAND commitments, in which patent holders promise to license their patents to manufacturers of standardized products on terms that are "fair, reasonable and non-discriminatory," a growing number of voluntary patent pledges are made outside the scope of standard-setting organizations or contexts. All of these voluntary public pledges seek to provide some degree of assurance that users of the pledged patents will not face patent litigation suits. However, the exact degree of assurance depends on the legal theory applied to patent pledges. The following article offers an overview of legal considerations for voluntary patent pledges, which go beyond FRAND commitments. These voluntary patent pledges have neither been tested in court nor examined in great detail yet. The goal of this article is to provide an overview of legal arguments based on United States and German law for those who are considering the use and reliance on of voluntary patent pledges.

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I.	INTRODUCTION.....	485
	A. <i>Voluntary Patent Pledges (VPPs)</i>	485
	B. <i>Different Types of VPPs</i>	486
	1. <i>General or Standard VPPs</i>	486
	2. <i>Individual VPPs</i>	487
	C. <i>Interests and Motivations</i>	489
	1. <i>Benefits to the Patent Holder</i>	490
	2. <i>Benefits to the Addressee / Pledge Recipient</i>	492
	3. <i>Benefits to Society at Large</i>	492
	D. <i>A Comparative Analysis of U.S. and German Law</i>	492
II.	VPPS AS (PATENT LICENSE) CONTRACTS?.....	494
	A. <i>United States Approach</i>	494
	1. <i>Common Law Contract Doctrine</i>	494
	2. <i>Covenant-Not-To-Sue</i>	495
	3. <i>(Implied) Patent License</i>	496
	4. <i>Arguments and Summary</i>	498
	B. <i>Germany Approach</i>	499
	1. <i>German Contract Law</i>	499
	2. <i>Interpretation of Contracts</i>	501
	3. <i>Arguments and Summary</i>	503
III.	PATENT PLEDGES AND OTHER LEGAL THEORIES.....	504
	A. <i>United States</i>	504
	1. <i>Promissory Estoppel</i>	504
	2. <i>Other Theories and New Approaches</i>	506
	B. <i>Germany</i>	507
	1. <i>Unilateral Waiver</i>	507
	2. <i>Simple Consent</i>	509
	3. <i>Good Faith as Defense</i>	510
IV.	SUMMARY AND CONCLUSION.....	511

I. INTRODUCTION

Growing commercial competition between technology companies has created a new focus on obtaining and enforcing patent portfolios. In the majority of cases, patents are still used in the “traditional” way by prohibiting competitors from using the technology; commercially licensing patents against often costly fees; or as a part of defensive portfolios that are only used in case of a patent assertion by competitors. However, in recent years more and more patent holders are applying alternative strategies. Above all, patent holders are making public promises to refrain from asserting patents against open source code or other technologies, to refrain from seeking remedies such as injunctive relief, or to abstain from transferring patents to non-practicing entities.¹ These voluntary public promises constantly grow in popularity, especially in large and heavily litigated sectors of the global technology marketplace, and are often referred to as “patent pledges.”² With the rise of these alternative uses of patents, the questions that must be asked are how to qualify and how to enforce voluntary patent pledges in an international context.

A. *Voluntary Patent Pledges (VPPs)*

Voluntary patent pledges (“VPPs”) are characterized as public announcements, which can be made in a variety of different settings and formats including website postings, press releases, or even public speeches.³ As such, they are intended to address the public rather than one or more specific addressees.

Individuals and companies who take advantage of these pledges by using and investing in the covered patents rely on the pledges being binding and enforceable. However, legal qualification of voluntary patent pledges is ambiguous and almost unpredictable. To date, none of the currently known patent pledges

¹ See Jorge L. Contreras, *A Market Reliance Theory for FRAND Commitments and Other Patent Pledges*, 2015 UTAH L. REV. 479, 479 (2015).

² For a comprehensive overview of patent pledges, see generally Jorge Contreras, *Non-SDO Patent Statements & Commitments*, PROGRAM ON INFORMATION JUSTICE AND INTELLECTUAL PROPERTY (June 11, 2015), <http://www.pijip.org/non-sdo-patent-commitments/>.

³ See *id.*

have been tested in court. While some commentators have looked into Fair, Reasonable, and Non-Discriminatory (“FRAND”) commitments, which are made within the context of Standards Development Organizations (“SDOs”),⁴ much less legal analysis is available with regards to voluntary patent pledges.

This Article aims to provide further thoughts on pressing legal questions with a special focus on voluntary patent pledges. While litigants and courts have often described FRAND commitments as contractual,⁵ it remains questionable whether VPPs can be qualified as contracts and what alternative legal theories can be applied, such as the general principles of promissory estoppel.⁶ Depending on the legal theory applied to patent pledges, significantly different legal consequences will arise. Thus, careful drafting and deliberate legal language is required to accurately reflect the intention of the respective pledgor and to also respect the interests and expectations of the pledge recipient.

B. *Different Types of VPPs*

As a general distinction, two different types of VPPs are currently dominating the market: generic and almost standardized VPPs, which are signed by various different companies, and individually drafted VPPs, which are used by specific companies.⁷ The difference is of interest since it shows the variety of VPPs currently in use.

1. *General or Standard VPPs*

One prominent example of a voluntary patent pledge used by several different companies is “The Patent Pledge,” which promises “no first use of software patents against companies with less than 25 people.”⁸ A total of thirty-three different companies have signed the pledge, mostly coming from the start-up scene.⁹

⁴ Contreras, *supra* note 1, at 480.

⁵ *Id.* at 481–82.

⁶ *See infra* Part III.A.1.

⁷ For examples of modern non-SDO VPPs, see Contreras, *supra* note 2.

⁸ THE PATENT PLEDGE, <http://www.thepatentpledge.org> (last visited Jan. 24, 2016).

⁹ *Id.*

Similarly, the Eco-Patent Commons project requires participating companies to:

irrevocably . . . pledge and covenant . . . that we will not assert any of our listed patents (including any worldwide counterparts) against you for any infringing machine, manufacture, process, or composition of matter claimed in such listed patent(s) where such infringing item alone (or when included in a product or service) reduces/eliminates natural resource consumption, reduces/eliminates waste generation or pollution, or otherwise provides environmental benefit(s).¹⁰

Current members of the Eco-Patent Commons include prominent names, such as Bosch, IBM, Nokia, and Sony.¹¹ Finally, and as further examples of generic VPPs, the Open Web Foundation Contributor License Agreement and Open Web Foundation Agreement both use a standardized language to promise not to assert patent rights,¹² and the Standardized Contributor Agreements available at contributoragreements.org offer a patent pledge option as an alternative to the traditional patent license commonly used in contributor agreements. While “The Patent Pledge” is explicitly drafted as “not legally binding,”¹³ the Eco-Patent Commons pledge, the Open Web Foundation’s pledges, and the Standardized Contributor Agreements are written to be legally binding.¹⁴

2. Individual VPPs

Individual VPPs are drafted for, and used by, specific companies, often with a special focus on Free and Open Source Software (“FOSS”) development and use. A well-known example

¹⁰ ECO-PATENT COMMONS, *Eco-Patent Commons: Joining or Submitting Additional Patents to the Commons* 3, <http://ecopatentcommons.org/sites/default/files/docs/ecopatentgroundrules.pdf> (last visited Jan. 24, 2016).

¹¹ *Members*, ECO-PATENT COMMONS, <http://ecopatentcommons.org/members> (last visited Jan. 24, 2016).

¹² *The OWF 1.0 Agreements – Granted Claims*, OPEN WEB FOUNDATION, <http://www.openwebfoundation.org/legal/the-owf-1-0-agreements> (last visited Jan. 24, 2016).

¹³ Paul Graham, *The Patent Pledge*, PAULGRAHAM.COM (August 2011), <http://paulgraham.com/patentpledge.html>.

¹⁴ See, e.g., *The OWF 1.0 Agreements – Granted Claims*, OPEN WEB FOUNDATION, <http://www.openwebfoundation.org/legal/the-owf-1-0-agreements> (last visited Jan. 24, 2016) (“[T]his promise is intended to be binding.”).

is Google's "Open Patent Non-Assertion Pledge," which was launched in 2013¹⁵ and covers a list of specifically identified and pledged patents published on Google's website.¹⁶ However, Google was not the first company to make such a voluntary public commitment. IBM already committed not to assert any of the 500 patents made available on their website in 2005;¹⁷ Twitter introduced the "Innovator's Patent Agreement" in 2012¹⁸ and Red Hat made a public promise to refrain from enforcing an infringed patent they held if that patent is exercised by any third party with respect to Free and Open Source Software.¹⁹ Most recently, a great deal of attention was paid to Tesla's announcement that "[a]ll our patents belong to you."²⁰

Since all of these voluntary patent pledges were originally designed and drafted to accommodate a specific situation and a specific company's need, the language and exact wording of each pledge differ significantly, which makes a general assessment of patent pledges nearly impossible.²¹ However, a few commonalities and comparable legal aspects can be found, based on which

¹⁵ *Google's Promise Not To Assert 10 Patents Against Open Source Software: Just A PR Stunt*, FOSS PATENTS (March 28, 2013), <http://www.fosspatents.com/2013/03/googles-promise-not-to-assert-10.html>.

¹⁶ *Pledged Patents*, GOOGLE, <http://www.google.com/patents/opnpledge/patents/> (last visited Jan. 24, 2016).

¹⁷ *See IBM Statement of Non-Assertion of Named Patents Against OSS*, IBM <http://www.ibm.com/ibm/licensing/patents/pledgedpatents.pdf> (last visited Jan. 24, 2016); *see also Legally Binding Commitment Not to Assert Nokia Patents against the Linux Kernel*, NOKIA, <http://web.archive.org/web/20051229190243/http://www.nokia.com/iprstatements> (last visited Jan. 24, 2016) (stating Nokia's commitment not to assert Nokia patents against the Linux Kernel) (archived from original source).

¹⁸ Adam Messinger, *Introducing the Innovator's Patent Agreement*, TWITTER (April 17, 2012), <https://blog.twitter.com/2012/introducing-innovators-patent-agreement>.

¹⁹ *Statement of Position and Our Promise on Software Patents*, RED HAT, http://www.redhat.com/legal/patent_policy.html (last visited Jan. 24, 2016).

²⁰ Elon Musk, *All Our Patent Are Belong To You*, TESLA MOTORS (June 12, 2014), <http://www.teslamotors.com/blog/all-our-patent-are-belong-you>.

²¹ However, most of these patent pledges are licensed under a Creative Commons license and can therefore be shared and used by everyone interested.

different drafting opportunities can help to address different motivations and strategic goals.

C. *Interests and Motivations*

Despite initial concerns and doubts, FOSS has gained ground and become one of the most successful developments over the past years. The core idea of FOSS is to make software available, with source code, to everyone.²² A broad range of user's rights are licensed free of charge and all users benefit from further developments made precisely because these changes themselves are in turn made available free of charge.²³ In addition to the well-known role of intellectual property rights in stimulating investments, a variety of other factors play an increasingly important role in software innovation, including using many eyes to reduce and quickly address bugs, cost sharing synergies, or ease of customization. Based on this strategy, the software sector is enjoying enormous growth in free and open source based innovation. Not only are most patent pledges available today made in the context of software development, but there is also a "philosophical" link between the increasing phenomenon of patent pledges and the success of Free and Open Source Software licenses. Pledgor and licensor are not focusing on immediate commercial return for their inventions or creations; rather, they encourage a broad availability of common technology platforms in order to enable long term and market-wide cost savings and efficiencies.²⁴ This becomes especially clear when looking at Tesla's promise not to enforce any patents.²⁵ Criticized by some as

²² See TILL JAEGER & AXEL METZGER, *OPEN SOURCE SOFTWARE* 1–2 (3d ed., Beck CH 2011).

²³ Till Jaeger & Axel Metzger, *Open Source Software and German Copyright Law*, 33 INT'L REV. INTEL. PROP. & COMPETITION L. 52, 55 (2001).

²³ Till Jaeger & Axel Metzger, *Open Source Software and German Copyright Law*, 33 INT'L REV. INTEL. PROP. & COMPETITION L. 52, 55 (2001).

²⁴ Dirk Riehle, *The Economic Case for Open Source Foundations*, COMPUTER, Jan. 2010, 93, 93.

²⁵ Musk, *supra* note 20.

a marketing tool, Tesla's pledge may indeed lead to robust new markets for battery technology.²⁶

1. *Benefits to the Patent Holder*

One of the rationales behind patent pledges is the incentive for other market participants to make investments in the covered technology platform. Possible investments include contractual commitments, purchase of durable goods and capital equipment, employee training, development or procurement of information technology, identifying and contracting suppliers, and building customer relationships.²⁷ Because most of these investments make it more difficult to switch to an alternative technology later on, they can easily lead to a lock-in effect for market participants and give patent holders a much better position in subsequent license negotiations.²⁸

On a more general level, patent pledges are intended to create network effects. Since they are designed to provide assurance to the market rather than to specific firms, they give certainty and confidence that the pledgor's patent will not be used to block the adoption of a standard or other common technology platform. This in turn can encourage additional companies to rely on these platforms and focus on interoperability standards, which enable further development of different products and services built upon

²⁶ See Phil McKenna, *Why Tesla Wants to Sell a Battery for Your Home*, MIT TECH. REV. (May 1, 2015), <http://www.technologyreview.com/news/537056/why-tesla-wants-to-sell-a-battery-for-your-home/>. As Professor Adam Mossoff has pointed out, "Tesla's new policy is an example of Musk exercising patent rights, not abandoning them." Adam Mossoff, *Tesla's New Patent Policy: Long Live the Patent System!*, TRUTH ON THE MARKET (Aug. 13, 2014), <http://truthonthemarket.com/2014/08/13/teslas-new-patent-policy-long-live-the-patent-system/>. Similarly, Professor Mark Lemley told VentureBeat, "Tesla recognizes that it is trying to build a network, and if it can get more people to invest in electric car technology, it will benefit even as others benefit too." Eric Blattberg, *Here's What Tesla's 'Good Faith' Patent Stance Actually Means*, VENTUREBEAT (June 14, 2014, 9:57 AM), <http://venturebeat.com/2014/06/14/heres-what-teslas-good-faith-patent-stance-actually-means/>.

²⁷ Contreras, *supra* note 1, at 6.

²⁸ See Joseph Farrell et al., *Standard Setting, Patents, and Hold-Up*, 74 ANTITRUST L.J. 603, 616 (2007).

these standards.²⁹ Such network effects are especially promising since pledged patents are still valuable for patent holders. Instead of transferring patents, ownership of the patents remains with the pledgor, but subjects them to a promise governing how the patent holder will or will not enforce the patents in the future. Most patent pledges include a termination clause with respect to any user of the pledged patents who aggressively files legal proceedings for patent infringement against the patent owner or holder.³⁰

Finally, VPPs may be used as a marketing tool to reflect the innovation potential of a company. Patents are not only used to exclude competitors from the use of a certain technology, they are also used as a means of communication to potential investors and other market actors. From this perspective, a patent pledge may be used to amplify the “signaling effects”³¹ of a strong patent portfolio. Today, many patents are stacked in defensive patent portfolios and are enforced only in the case of a legal action being brought by a competitor.³² Using a VPP favoring FOSS projects

²⁹ Public benefits of technical standards have been recognized widely by different commentators and explained in a report by the Federal Trade Commission (“FTC”) as “one of the engines of modern economy.” U.S. DEP’T OF JUSTICE & FED. TRADE COMM’N, *Antitrust Enforcement And Intellectual Property Rights: Promoting Innovation And Competition* 33 (2007), <http://www.ftc.gov/reports/innovation/P040101PromotingInnovationandCompetitionrpt0704.pdf>.

³⁰ Google’s language contains the right to “terminate the Pledge, to the extent Google deems necessary to protect itself, its affiliates, or its products and services (“Defensive Termination”) with respect to any Pledge Recipient (or affiliate) who files a lawsuit or other legal proceeding for patent infringement or who has a direct financial interest in such lawsuit or other legal proceeding (an “Asserting Party”) against Google or any entity controlled by Google or against any third party based in whole or in part on any product or service developed by or on behalf of Google or any entity controlled by Google.” GOOGLE, *Open Patent Non-Assertion Pledge*, <https://www.google.com/patents/opnpledge/pledge/> (last visited Jan. 25, 2016).

³¹ See Clarissa Long, *Patent Signals*, 69 U. CHIC. L. REV. 625, 656 (2002).

³² See Jason Schultz & Jennifer M. Urban, *Protecting Open Innovation: The Defensive Patent License as a New Approach to Patent Threats, Transaction Costs, and Tactical Disarmament*, 26 HARV. J.L. & TECH. 1, 6 (2012).

does not reduce the defensive vigor of a patent portfolio, but maximizes the signaling effect.³³

2. *Benefits to the Addressee / Pledge Recipient*

Individuals and companies who take advantage of the pledged patents do so to further innovate and develop their own products. Increased access to technology enables them to constantly keep pace with demand in the market and strengthen customer relationships. The benefits to the addressee of pledges are self-evident: they can use technology provided by the patent holder without having to pay license fees.

3. *Benefits to Society at Large*

Technical standards make products less costly for firms to produce and more valuable to consumers.³⁴ Likewise, patent pledges enable market participants to make investments in reliance that the eventually manufactured products and related sales will not be blocked by the patent holder. In turn, this encourages the development of improved products and services built upon access to technology. In this context, legal certainty and especially enforceability of patent pledges will help spur innovation and prevent social waste. In addition, patent pledges foster competition on the markets for products and services based on the patent protected technology.

D. *A Comparative Analysis of U.S. and German Law*

At first glance, voluntary patent pledges seem to be a United States (“U.S.”) phenomenon. However, since Germany has turned out to be the favorite battle ground for patent litigation in Europe,³⁵ the question of whether voluntary patent pledges are legally binding and enforceable under German law will undoubtedly become relevant. In addition, Germany has been a forerunner in

³³ Empirical data of what patents are pledged by major companies is not available. However, one may assume that companies do not use VPPs for their blockbuster patents.

³⁴ U.S. DEP’T OF JUSTICE & FED. TRADE COMM’N, *supra* note 29.

³⁵ See CREMERS ET AL., PATENT LITIGATION IN EUROPE, (ZEW 2013), <http://ftp.zew.de/pub/zew-docs/dp/dp13072.pdf>.

enforcement of FOSS licenses.³⁶ Consequently, it is likely that voluntary patent pledges announced in the context of FOSS will be tested in German courts.

Another aspect that makes a comparative analysis of U.S. and German law with regards to patent pledges relevant is the difference between U.S. and German contract law.³⁷ In particular, the requirements to form a binding contract under German law are less restrictive compared to the contract doctrine in U.S. and other common law jurisdictions.³⁸ In practice, this means that patent pledges that do not qualify as binding contracts under U.S. law may still be considered a binding contract under German law. The different legal consequences may lead to unwanted results, which cannot always be avoided by adding a choice-of-law clause. A patent pledgor may only choose the applicable law with regard to those questions that may be characterized as contractual according to German and European principles of conflict of laws.³⁹ The same principles apply to unilateral acts like waiver, consent or comparable dispositions. A choice of law clause may thus determine the applicable law for questions such as offer, acceptance and consideration, interpretation of contracts, warranty and liability etc., of a VPP. However, the proprietary aspects of license contracts or unilateral dispositions on intellectual property rights are subject to the principle of territoriality and covered by the law of the country for which protection is sought.⁴⁰ Typical proprietary aspects are questions like ownership and transferability of intellectual property rights and licenses, requirements and consequences for exhaustion, or in rem-effects of licenses against

³⁶ *Judgements*, INSTITUTE FOR LEGAL QUESTIONS ON FREE AND OPEN SOURCE SOFTWARE, <http://www.ifross.org/en/v-judgements> (last visited Jan. 25, 2016).

³⁷ See *infra* Part II.B (noting German contract law doesn't require any kind of "consideration").

³⁸ Andres Guadamuz & Andrew Rens, *Comparative Analysis of Copyright Assignment and Licence Formalities For Open Source Contributor Agreements*, 10:2 SCRIPTED 207 (2013), <http://script-ed.org/?p=1065>.

³⁹ See Regulation 593/2008, Art. 3(12) (Rome I).

⁴⁰ See EUROPEAN MAX PLANK GROUP, CONFLICT OF LAWS IN INTELLECTUAL PROPERTY, CONFLICT OF LAWS IN INTELLECTUAL PROPERTY, Art. 3:301 (2013).

third parties.⁴¹ As a consequence, patent holders using VPPs should not be surprised if the enforcement of promises made in VPPs take place in German courts and are governed by German law.

II. VPPS AS (PATENT LICENSE) CONTRACTS?

Voluntary patent pledges are usually not addressed to any particular individual or company. Instead they are aimed at a specific market and intended to encourage market participants to invest in the covered technology.⁴² However, depending on the exact language and interpretation of the respective wording, voluntary patent pledges can be described as contractual.

A. *United States Approach*

1. *Common Law Contract Doctrine*

Common law contract doctrine requires different elements for contracts to be enforceable, such as consideration, offer, acceptance, and mutual assent.⁴³ At first glance, the interpretive and normative principles of contract law seem applicable to VPPs, particularly if the VPPs include certain conditions. The promise not to enforce respective patents can be interpreted as an offer not to enforce the patents if specified conditions are accepted, such as the use of the pledged patents in a particular technological context. By using the respective patent, the pledge recipient indicates agreement with the required conditions, which could qualify as acceptance and mutual assent.⁴⁴ Since consideration can be anything ranging from money to physical objects, services, promised actions, or refraining from a future action;⁴⁵ the pledgor's consideration would be refraining from future enforcement and the user's consideration would be compliance with the given conditions. Therefore, a binding contract between the pledgor and the user of the respective pledged patents can potentially be formed.

⁴¹ *Id.*

⁴² *See supra* Part I.B.

⁴³ RESTATEMENT (SECOND) OF CONTRACTS § 17 (AM. LAW INST. 1981).

⁴⁴ *Id.* at § 50.

⁴⁵ *Id.* at § 71.

2. *Covenant-Not-To-Sue*

Whenever patent pledges can be described as a binding contract under U.S. law, they may qualify as a covenant-not-to-sue. Under U.S. law, covenants-not-to-sue may be characterized as contracts, as suggested by the Restatement (Second) of Contracts § 285(1): “A contract not to sue is a contract under which the obligee of a duty promises never to sue the obligor or a third person to enforce the duty or not to do so for a limited time.”⁴⁶ In fact, some pledges explicitly include the term “covenant;” for example, the non-assert pledge signed by members of the Eco-Patent Commons uses this phrase.⁴⁷ Others use wording typical for covenants-not-to-sue, such as “Google will not bring a lawsuit or other legal proceeding against a Pledge Recipient”⁴⁸ or “IBM hereby commits not to assert.”⁴⁹ As for consideration, and because it is not obligatory that a sum of money is paid, it may be possible to create a cross covenant-not-to-sue based on any other valuable performance or return promise.⁵⁰

Assuming that a pledge meets the requirements of a binding covenant-not-to-sue, an infringement action filed by the patent holder will be dismissed as moot.⁵¹ Also, a declaratory judgment claim for non-infringement lodged by an alleged infringer may be dismissed; however, a court must still look at all the circumstances to determine whether there is a substantial controversy that supports a declaratory judgment action.⁵² Besides the procedural consequences, courts have accepted that covenants-not-to-sue do

⁴⁶ *Id.* at § 285(1); *see also* Mathis v. St. Alexis Hosp. Assoc., 99 Ohio App. 3d 159, 161, 650 N.E.2d 141, 143 (8th Dist. Cuyahoga County 1994).

⁴⁷ ECO-PATENT COMMONS, *Eco-Patent Commons: Joining or submitting additional patents to the Commons*, <http://ecopatentcommons.org/sites/default/files/docs/ecopatentgroundrules.pdf> (last visited Jan. 24, 2016).

⁴⁸ *Open Patent Non-Assertion Pledge*, GOOGLE, <http://www.google.com/patents/opnpledge/pledge> (last visited Jan. 24, 2016).

⁴⁹ *IBM Statement of Non-Assertion of Named Patents Against OSS*, IBM, <http://www.ibm.com/ibm/licensing/patents/pledgedpatents.pdf> (last visited Jan. 24, 2016).

⁵⁰ RESTATEMENT (SECOND) OF CONTRACTS § 71 (AM. LAW INST. 1981).

⁵¹ *Already, LLC v. Nike, Inc.*, 568 U.S. ___, 133 S. Ct. 721, 726 (2013).

⁵² *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1378 (Fed. Cir. 2007).

also imply a substantive authorization to use the patented technology similar to a non-exclusive license.⁵³ As a consequence, it may be argued that products manufactured on the basis of a covenant-not-to-sue are subject to exhaustion and can be sold without prior authorization of the patent holder.⁵⁴ Also, a purchaser of the pledged patent will be bound by all outstanding licenses.⁵⁵ Moreover, in the event of the insolvency of the patent holder, the covenant is not dischargeable.⁵⁶

In short, while a contractual analytical framework may be suitable for some VPPs, it is unsuitable for many. In practice, consideration remains the most crucial aspect. Qualification as a binding contract, and especially the type of contract—specifically as a covenant-not-to-sue—will depend on the exact wording of the respective VPP. Since most pledges have a public character and are intended to offer assurances to the market at large rather than to reflect bilateral negotiated terms between two private parties, it will be difficult to apply common law contract doctrine to VPPs and argue for a covenant-not-to-sue.⁵⁷ In other words, whenever the covenant—in the form of a patent pledge—comes as a mere unilateral promise to behave in a certain way and without any element of exchange, it will be burdensome for the recipient of the pledge to plead for the conclusion of a binding covenant and for a binding contract in general.

3. *(Implied) Patent License*

Even if VPPs cannot be qualified as binding contracts, and irrespective of the discussion of whether a license is a contract or not under U.S. law,⁵⁸ they may still be considered as licenses. In

⁵³ *TransCore v. Electronic Transaction Consultants*, 563 F.2d 1271, 1277 (Fed. Cir. 2009).

⁵⁴ *Id.* at 1274.

⁵⁵ *Keystone Type Foundry v. Fastpress Co.*, 272 F. 242, 245 (2d Cir. 1921). The recording requirement of § 261(2) US Patent Act is not applicable to non-exclusive licenses, as visible from the clear wording of the provision (“exclusive right”). *Id.*

⁵⁶ *In re Spansion, Inc.*, 507 Fed.Appx. 125 (3d Cir. 2012) (unpublished).

⁵⁷ *Contreras*, *supra* note 1, at 503.

⁵⁸ See Eben Moglen, *Enforcing the GNU GPL*, GNU OPERATING SYSTEM (Sept. 10, 2001), <https://www.gnu.org/philosophy/enforcing-gpl.html>. The

1927, the Supreme Court made clear that no formal granting of a license is necessary in order to give it effect with their decision in *De Forest Radio Telephone and Telegraph Co. v. United States*.⁵⁹ The court stated:

[a]ny language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license, and a defense to an action for a tort.⁶⁰

A license, according to the Court, passes no interest in the monopoly, but has been described as a mere waiver of the right to sue by the patentee.⁶¹

A similar line of reasoning can be found in the Third Circuit's 2009 decision in *Transcore vs. Electronic Transaction*,⁶² which builds upon the principle that the grant of a patent does not provide the patentee with an affirmative right to practice the patent but merely the right to exclude.⁶³ Consequently, according to the Third Circuit, a patentee, by license or otherwise, cannot convey an affirmative right to practice a patented invention by way of making, using, selling, etc., the patented invention; the patentee can only convey a freedom from suit.⁶⁴ Even more recently, the Third Circuit agreed that a license is equivalent to a covenant-not-to-sue in the bankruptcy context, arguing that the promise "to dismiss the action against [the defendant], and to not re-file the ITC action or another action related to one or more of the same patents against [the defendant]" was a promise "not to sue [the

important difference is that contracts are enforced under contract law, which is done state by state, and there are certain necessary elements to qualify as a valid contract. Licenses, instead, are enforced under copyright law at the federal level. The penalties available are not the same. *Id.*

⁵⁹ *De Forest Radio Telephone and Telegraph Co. v. United States*, 273 U.S. 236 (1927).

⁶⁰ *Id.* at 241.

⁶¹ *Id.* at 242.

⁶² 563 F.3d 1271 (3d Cir. 2009).

⁶³ *Id.* at 1275 (citing 35 U.S.C. § 154(a)(1)).

⁶⁴ *Id.*

defendant] for its use of [the plaintiff's] patented products" and therefore a "license."⁶⁵

Assuming that future court decisions will follow the arguments stated by the Supreme Court in 1927 and the Third Circuit and consequently interpret VPPs as licenses, the exhaustion principle may apply to the pledged patents and any initial authorized sale of the patented items will terminate all patent rights to those items.⁶⁶ Furthermore, if considered a license, any pledge recipient may elect to retain its rights under section 365(n) of the Bankruptcy Act as if he were a holder of an intellectual property license.⁶⁷

4. *Arguments and Summary*

Even though the Supreme Court's decision in *De Forest Radio Telephone & Telegraph Co v. United States* dates back to 1927, future opinions may find strong arguments for considering a VPP as a license, which will be difficult to ignore. Because none of the voluntary patent pledges described above⁶⁸ have been analyzed and tested in courts, there is no evidence that patent pledges will be treated like licenses. In fact, all arguments leading to the interpretation as a license with all the associated legal consequences, have to be put in context and include the respective situation and—more importantly—the exact wording of the respective agreement in question. Even if there are strong arguments that courts will consider a covenant-not-to-sue and a license to be equivalent, there is no guarantee or legal certainty that voluntary patent pledges would be treated in the same way. Covenants-not-to-sue and licenses are drafted as bilateral or multi-lateral agreements.⁶⁹ Regardless of how many parties are involved in such agreements, they can always be identified at the time of conclusion. VPPs, in contrast, are drafted as unilateral promises. As such, they are not addressed to a specific individual or company, but to the whole market. Usually, pledging companies

⁶⁵ *In re Spansion, Inc.*, 507 F. App'x. 125 (3d. Cir. 2012) (unpublished).

⁶⁶ *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 621, 128 S. Ct. 2109, 2113 (2008).

⁶⁷ *See In re Spansion, Inc.*, 507 F. App'x 125 (3d. Cir. 2012) (unpublished).

⁶⁸ *See supra* Part II.A.

⁶⁹ RESTATEMENT (SECOND) OF CONTRACTS § 285 (AM. LAW INST. 1981).

do not require anyone to register or sign anything in order to perfect their rights under the pledge. Consequently, they do not track or identify pledge recipients. Especially, where patent pledges are drafted deliberately short and without specified conditions, they are inclined to show an intention and motivation, which is different from the traditional way of licensing patents, including avoidance of all legal consequences. While this unilateral character may be seen as an argument to differentiate patent pledges from patent licenses, experience with FOSS and Creative Commons licenses have shown that licenses, meeting certain conditions, can be granted to any member of the public (public licenses),⁷⁰ which in turn can offer an argument to support the view of VPPs as being on par with patent licenses and leaves the discussion and result open.

B. *Germany Approach*

Freedom of contract (*Vertragsfreiheit*) is one of the fundamental rights under German law. As a general principle, and apart from a few exceptions stated in the German Civil Code,⁷¹ contracts can contain whatever provisions the parties agree upon.⁷² Unlike the U.S. common law contract doctrine, German contract law does not require consideration.⁷³ However, offer and acceptance are required to form a binding contract.⁷⁴

1. *German Contract Law*

The offer to form a binding contract requires a declaration of intent (*Willenserklärung*) including an intention to be bound

⁷⁰ See *Licenses*, GNU OPERATING SYS., <https://www.gnu.org/licenses/licenses.en.html> (last updated Dec. 14, 2015); *About the Licenses*, CREATIVE COMMONS, <http://creativecommons.org/licenses/> (last visited Jan. 23, 2016).

⁷¹ See, e.g., Bürgerliches Gesetzbuch [BGB] [Civil Code], § 138 (allowing legal transaction contrary to moral principles or exploiting the other person due to undue advantages) (English translation *available at* http://www.gesetze-im-internet.de/englisch_bgb/index.html).

⁷² See *id.* Furthermore, they do not have to be in any particular form (e.g. in writing or by registration), unless specifically required by law. *Id.*

⁷³ *Id.* §§ 145–51.

⁷⁴ *Id.* §§ 145–47.

(Geschäftswille).⁷⁵ Interpretation of both must reflect the perspective of the addressee, so that the offer has to be interpreted based on “what the addressee must have understood if observed objectively.”⁷⁶ Looking at the experience from FOSS licenses, which are commonly seen as license agreements between licensor and licensee, and therefore, as contracts under German law, patent pledges can be qualified as an offer to form a binding contract if the respective language shows a clear intention to be legally bound.⁷⁷ Consequently, whenever a patent pledge explicitly states it is not to be legally binding, such as “The Patent Pledge,”⁷⁸ a binding contract must be denied. But any patent pledge drafted to be legally binding may be seen as a valid offer according to German contract law and any use of the pledged patents may be seen as an acceptance. Acceptance does not necessarily have to reach the offeror. Instead, a contract is considered to have come into effect without communication of acceptance to the offeror, if such communication is not expected according to ordinary usage or if the offeror has waived such communication.⁷⁹ Both alternatives may apply to patent pledges: the patent owner waives the communication requirement by relying on the public pledge, and it is also common practice not to notify the patent owner if the patent pledge is drafted as a public promise to assure the market rather than one individual or one particular company.⁸⁰

However, the fact that patent pledges are not written to address one particular company poses another question of German private law. Since patent pledges are formulated for an indefinite number of users and therefore for an indefinite number of potential contracts, they may be regarded as standard business terms, which are subject to additional restrictions as stated in Sections 305–310

⁷⁵ *Id.* §§ 116–33, 145.

⁷⁶ *Id.* § 157 (“Verobjektivierter Empfängerhorizont.”).

⁷⁷ An intention to be legally bound is missing if the offeror only provides basic information about a specific product and thereby encourages other interested parties to make an offer, so called “*invitatio ad offerendum*” (e.g. products shown in shop-windows). *Id.*

⁷⁸ Graham, *supra* note 13.

⁷⁹ Bürgerliches Gesetzbuch [BGB] § 151.

⁸⁰ See TIM ENGELHARDT & TILL JAEGER, THE INTERNATIONAL FREE AND OPEN SOURCE SOFTWARE LAW BOOK 107 (Open Source Press 2014).

of the German Civil Code.⁸¹ These restrictions are supposed to protect parties and especially consumers when entering contracts that contain standard business terms.⁸² As a general rule, standard business terms can only be legally binding components of a contract if (1) the user of such terms either explicitly or, where explicit reference to standard terms is unusually difficult, in another reasonably noticeable manner, refers to the standard terms, and thereby gives the other party the opportunity to take notice of all details of the respective standard terms; and if (2) the other party agrees with these standard terms.⁸³ In theory, these detailed requirements may pose a problem for the standard language of patent pledges to become part of a legally binding contract; however, in practice, it can be assumed that the user of pledged patents has taken note of and agreed with all details of the respective pledge.⁸⁴ Moreover, most patent pledges are used between companies, while most German rules on standard business terms only apply in transactions with consumers.⁸⁵

In summary, voluntary patent pledges can be constructed as legally binding contracts under German law if the respective language shows clear intention to be legally bound.

2. *Interpretation of Contracts*

To understand the legal consequences, the character of the contract must be determined, since special contracts are governed by different principles under German law.⁸⁶

a. *Patent License Contract*

One possible interpretation may result in a patent license contract. The promise not to enforce patents may be seen as the patent owner's consent to use the patents. Similar to the arguments

⁸¹ Bürgerliches Gesetzbuch [BGB] §§ 305–10.

⁸² See Council Directive 93/13/EEC of 5 April 1993 on Unfair Terms in Consumer Contracts, 1993 O.J. (L 95) 36 (EC).

⁸³ See Bürgerliches Gesetzbuch [BGB] § 305.

⁸⁴ See TILL JAEGER & AXEL METZGER, *OPEN SOURCE SOFTWARE* 164–66 (3rd ed., Beck CH 2011) for argumentation in the context of FOSS licenses.

⁸⁵ See Bürgerliches Gesetzbuch [BGB] § 310(1).

⁸⁶ See *supra* note 71 and accompanying text regarding taking into account good faith and customary practice.

found in U.S. case law, German scholars and courts may argue that patents do not give any positive, exclusive right to use the respective patent, but only the right to exclude others from using it.⁸⁷ Irrespective of the theoretical and doctrinal framework of patent licenses in the German context, interpretation of contracts must identify what type of arrangement the parties wanted to reach. Looking at the exact wording of most of the prominent patent pledges, the declaration of intent constitutes the “promise not to bring a lawsuit for patent infringement.”⁸⁸ Taken literally, this does not show any desire to sell or license the respective patent. The promise not to enforce patents—even under certain conditions—does not even mention any intended transfer of exclusive or non-exclusive rights, which would be required for a patent license. From the perspective of customary practice or “what the addressee must have understood if observed objectively,”⁸⁹ it is also clear that neither a transfer of the patent nor a license can be expected. Only a specific performance can be anticipated, namely the performance not to enforce the pledged patents.

Assuming that a patent pledge is still drafted in a way that suggests interpretation as a patent license contract, any infringement claim by the patent holder will be denied. Since a pledge can only be interpreted as a non-exclusive license, the license grant itself (disposition) will be considered non-transferable under German law if the licensor has not explicitly agreed to the transfer.⁹⁰ Such consent can also be given in advance if clearly stated in the pledge. Similar to the U.S. analysis, the

⁸⁷ However, the theoretical question of patent licenses and the related dogmatic fundamentals is not quite clear in Germany. Some scholars argue against “negative” licenses. See Ronny Hauck, *Rechtsnatur und-wirkungen eines covenant-not-to-sue*, 5 ZGE/IPJ 206, 223 (2013) (referencing Case C-533/07, Falco Privatstiftung v. Weller, 2009 I-03327, GRUR 2009 at 753). Others explicitly refer to “negative licenses” as one possible way to structure patent licenses. See MAXIMILIAN HAEDICKE ET AL, PATENT LAW HANDBOOK 315 (Beck 2014).

⁸⁸ See, e.g., *Google Open Patent Non-Assertion Pledge*, GOOGLE, <http://www.google.com/patents/opnpledge/pledge> (last visited Jan. 24, 2016).

⁸⁹ Bürgerliches Gesetzbuch [BGB] §157.

⁹⁰ GEORG BENKARD, PATENTGESETZ 705, § 103 (C.H. Beck 2015).

exhaustion principle will apply to products using the respective pledged patents when these products have been put on the market within the European Union or any European Economic Area member state.⁹¹

b. *Covenant-Not-To-Sue*

Additional arguments may be drawn from interpreting a covenant-not-to-sue under German law.⁹² An agreement stating that the patent holder will not assert a patent claim against the other party may either be qualified as a mere procedural contract, a so called “pactum de non petendo,” or as a substantive contract which excludes the patent claim and can in turn be treated as a license grant. The District Court of Mannheim interpreted a covenant-not-to-sue in a recent case as a mere pactum de non petendo.⁹³ The controversial settlement agreement combined an explicit, non-exclusive license for one party with a mere covenant-not-to-sue for the other side. The court inferred from this difference in wording that the parties would have stipulated an explicit license for the other side as well if they had wanted to.⁹⁴ As a consequence, the covenant-not-to-sue only bound the parties to the settlement agreement and not, after the patent was transferred, the transferee, who successfully enforced the patent in court.⁹⁵ Since it was not qualified as a license contract, any in rem effect was neglected.

3. *Arguments and Summary*

Following the analysis offered by the District Court of Mannheim, it is likely that German courts would qualify patent pledges as contracts with purely procedural effects where the courts can find clear indication that the parties explicitly did not want to enter a license agreement. However, German courts may also interpret patent pledges as implied patent license contracts

⁹¹ See HAEDICKE ET AL, *supra* note 87, at 804–17.

⁹² Under German law, a covenant-not-to-sue must meet the requirements of a contract to be binding. See Hauck, *supra* note 87, at 225–26.

⁹³ LG Mannheim [District Court Mannheim], Apr. 23, 2010, 7 O 145/09, GRUR-RR 2011, 49 (Ger.).

⁹⁴ *Id.*

⁹⁵ *Id.*

whenever the respective wording shows clear characteristics comparable to a patent license, but simply avoids the term “patent license.” In the case of Google’s “Open Patent Non-Assertion Pledge,”⁹⁶ the promise not to assert patent claims is embedded into a broader set of promises and duties, which are typical of license contracts. It should not only bind Google and its controlled entities but also their successors and persons or entities to which Google might transfer the pledged patents.⁹⁷ The “IBM Statement of Non-Assertion of Named Patents Against OSS”⁹⁸ explicitly states: “[w]e are pledging the free use of 500 of our U.S. patents as well as all counterparts of these patents issued in other countries, in the development, distribution, and use of open source software.”⁹⁹ This specific language indicates that the pledge should also imply the substantive right of the recipient to use the patented inventions and not just prevent claims on a procedural level.

III. PATENT PLEDGES AND OTHER LEGAL THEORIES

As analyzed above, it is uncertain whether VPPs may be qualified as contracts under U.S. contract law principles.¹⁰⁰ However, even if courts reject the application of contract law principles, VPPs could still have legal effects for their addressees.

A. *United States*

1. *Promissory Estoppel*

It is possible to give VPPs legal effect under U.S. law even if they do not qualify as contracts. U.S. contract law combines a strict concept of contract with a more flexible and open doctrine of

⁹⁶ *Open Patent Non-Assertion Pledge*, GOOGLE, <http://www.google.com/patents/opnpledge/pledge> (last visited Jan. 24, 2016).

⁹⁷ “Google will require any person or entity to whom it sells or transfers any of the Pledged Patents to agree, in writing, to abide by the Pledge and to place a similar requirement on any subsequent transferees to do the same.” *Id.*

⁹⁸ *IBM Statement of Non-Assertion of Named Patents Against OSS*, IBM <http://www.ibm.com/ibm/licensing/patents/pledgedpatents.pdf> (last visited Jan. 24, 2016).

⁹⁹ *Id.*

¹⁰⁰ *See supra* Part II.A.

promissory estoppel. The doctrine of promissory estoppel is restated in the Restatement (Second) of Contracts § 90:

Promise Reasonably Inducing Action or Forbearance: A promise which the promisor should reasonably expect to induce action or forbearance on the part of the promisee or a third person and which does induce such action or forbearance is binding if injustice can be avoided only by enforcement of the promise. The remedy granted for breach may be limited as justice requires.¹⁰¹

If one follows this approach, a mere promise which does not result in the conclusion of a contract may still be enforceable. Different from some stricter case law, the Restatement does not require a “clear and definite promise”¹⁰² or any other heightened standard of proof for the seriousness of the promise as long as the statement is not just a mere expression of intention to do or to forbear something.¹⁰³ Many of the VPPs analyzed here will meet these requirements. Public statements like “Tesla will not initiate patent lawsuits against anyone who, in good faith, wants to use our technology”¹⁰⁴ or “[n]o first use of software patents against companies with less than 25 people”¹⁰⁵ express the promise of the patent holder to abstain from any patent enforcement as long as the—admittedly vague—conditions of the pledges are respected. For public announcements like “[i]t has never been, nor will it be Monsanto policy to exercise its patent rights where trace amounts of our patented seed or traits are present in farmer’s fields as a result of inadvertent means,” it is harder to predict whether a U.S. judge would interpret the statement as a promise in the sense of § 90 or as a mere description of the future patent policy.¹⁰⁶

¹⁰¹ RESTATEMENT (SECOND) OF CONTRACTS § 90 (AM. LAW INST. 1981).

¹⁰² See, e.g., *Malaker Corp. Stockholders Protective Committee v. First Jersey Nat’l. Bank*, 163 N.J. Super. 463, 484, 395 A.2d 222, 233 (1978); *Jensen v. Taco John’s Int’l, Inc.*, 110 F.3d 525, 528 (8th Cir. 1997).

¹⁰³ *Security Bank & Trust Co. v. Bogard*, 494 N.E.2d 965, 968–69 (Ind. App. 1986).

¹⁰⁴ See Elon Musk, *All Our Patent Are Belong To You*, TESLA (June 12, 2014), <http://www.teslamotors.com/blog/all-our-patent-are-belong-you>.

¹⁰⁵ See Graham, *supra* note 13.

¹⁰⁶ In *Organic Seed Growers and Trade v. Monsanto Company*, the CAFC applied a theory of judicial estoppel. 718 F.3d 1350, 1358 (Fed. Cir. 2013).

Jorge Contreras has pointed to a second source of uncertainty with regard to the doctrine of promissory estoppel.¹⁰⁷ A user of patented technology may only plead promissory estoppel if he has actually relied on the concrete patent pledge. The promise must have induced the user's application of the patented technology, and the user bears the burden of proof for his reliance on the promise. What if the user was not aware of the patent or did not relate his product or service to the relevant patent claims? What if the user has purchased products that contain protected technology without his knowledge? Proving actual reliance may be challenging in such cases. It is unclear whether the first sale-doctrine will help users who have bought products manufactured on the basis of promissory estoppel.

Furthermore, a third and very crucial source of uncertainty should be emphasized. The promise of the patent holder, which is the very basis of promissory estoppel, can be revoked at any moment. Such a revocation may put the user in an uncomfortable position when he depends on the patent holder's willingness to grant a license under reasonable terms. Finally, the user's situation is also uncertain if the patent is transferred. It is for good reason that the U.S. antitrust authorities demanded commitments by Apple, Google, and Microsoft that ensured the patent pledges of Nortel and Motorola would be upheld before investigations were closed.¹⁰⁸ Without such commitments it would have been difficult to argue that the companies would be bound by the pledges made by the former right holders.

2. *Other Theories and New Approaches*

The many hurdles and uncertainties of the promissory estoppel approach have prompted legal scholars to develop new theories on how to enforce patent pledges. Jay Kesan and Carol Hayes have

¹⁰⁷ Contreras, *supra* note 1, at 484.

¹⁰⁸ Press Release, Dept. of Justice, Statement of the Department of Justice's Antitrust Division on Its Decision to Close Its Investigations of Google Inc.'s Acquisition of Motorola Mobility Holdings Inc. and the Acquisitions of Certain Patents by Apple Inc., Microsoft Corp. (Monday, Feb. 13, 2012), *available at* <http://www.justice.gov/opa/pr/statement-department-justice-s-antitrust-division-its-decision-close-its-investigations>.

suggested conceptualizing patent pledges, in the framework of FRAND commitments, according to the model of encumbrances on real property, which would run with the patent in the case of a patent transfer.¹⁰⁹ Jorge Contreras has called for a “market reliance theory for patent pledges” to overcome the difficulties of proving actual reliance under promissory estoppel and to solve the transfer problem.¹¹⁰ These new theories are thought provoking, but have not yet been tested in court.

B. *Germany*

Although it is easier under German law than under U.S. contract law to qualify a patent pledge as a contractual arrangement, not all patent statements analyzed in this Article fulfill all the necessary criteria for a binding contract in the sense of sections 145 to 157 of the German Civil Code.¹¹¹ However, this does not imply that those non-contractual pledges are without legal effect for other actors on the respective technology market. German law provides legal principles for the construction of non-contractual, unilateral declarations on the use of intellectual property that may help to clarify the possible legal consequences for technology users relying on those pledges.

1. *Unilateral Waiver*

One possible strategy to give legal effect to a patent pledge not qualifying as a bilateral contract could be to interpret the statement as a waiver of the covered patents. A waiver is typically seen as a unilateral declaration that relinquishes the covered right with in rem effect.¹¹² This strategy has been suggested in Germany for the interpretation of unilateral statements with regards to the copyright of a work, such as if the statement “reproduction permitted” is printed on sheet music.¹¹³ In the context of copyright, the German Federal Court has stated that copyright may not be waived entirely,

¹⁰⁹ Jay P. Kesan & Carol M. Hayes, *FRAND's Forever: Standards, Patent Transfers, and Licensing Commitments*, 89 *IND. L.J.* 231, 294–304 (2014).

¹¹⁰ Contreras, *supra* note 1, at 538–57.

¹¹¹ *See supra* Part II.B.

¹¹² Bundesgerichtshof [BGH] [Federal Court of Justice] Feb. 23, 1995, I ZR 68/93, GRUR 1995, 673, 675 Mauer-Bilder (Ger.).

¹¹³ *Id.*

because it may also not be transferred according to Section 29 of the German Copyright Act, but that a unilateral waiver is possible for single economic rights—such as the right of distribution.¹¹⁴ However, such a waiver of single economic rights in favor of the general public is not undisputed in copyright law literature, and a number of authors regard it as invalid.¹¹⁵ In German patent law, it has not been tested in court whether simple patent pledges could be interpreted as declarations of patent waiver. Unlike copyrights, patents may be transferred under German and European patent law.¹¹⁶ The patent, or single patent claims,¹¹⁷ may also be the subject of a waiver.¹¹⁸ But such a waiver must be submitted “by written declaration to the Patent Office.”¹¹⁹ The requirements for a written declaration in section 126 of the German Civil Code demand that the document is signed by the issuer with his name in his own hand, or by his notarially certified initials.¹²⁰ This requirement is not met by a simple public announcement. Moreover, the German Federal Court has been strict with interpretation of the requirement that the waiver must be declared “to the Patent Office.”¹²¹ In the past, the court refused to give any legal effect to a declaration of waiver expressed in a court

¹¹⁴ *Id.* In the case artists, who had painted pictures on the Berlin wall, claimed for a share of the revenues from the later commercialization of the pieces of the wall. The court denied a waiver of the right of distribution in the case. *Id.*

¹¹⁵ See, e.g., HAIMO SCHACK, URHEBER- UND URHEBERVERTRAGSRECHT 181 (6th ed. Tübingen 2015); THOMAS DREIER & GERNOTSCHULZE, URHEBERRECHTSGESETZ 334 (4th ed. Munich 2013). *But see* AXEL NORDEMANN & JAN BERND NORDEMANN, URHEBERRECHT 555–56 (11th ed. Stuttgart 2014); ULRICH LOEWENHEIM, URHEBERRECHT 625, (4th ed. Munich 2010).

¹¹⁶ See Patentgesetz [PatG]§ 15(1) (1981); Convention on the Grant of European Patents, art. 71, Oct. 5, 1973, 1065 U.N.T.S. 276.

¹¹⁷ ALFONS SCHÄFERS, PATENTGESETZ 770, (Georg Benkard, ed.) (11th ed. Munich 2015).

¹¹⁸ See PatG § 20, European Patent Convention, art. 99, Rule 75 of the Implementing Regulations to the Convention on the Grant of European Patents of 5 October, 1973, as last amended by decision of the Administrative Council of the European Patent Organization of 9 December, 2004.

¹¹⁹ PatG § 20.

¹²⁰ Bürgerliches Gesetzbuch [BGB] §126.

¹²¹ Bundesgerichtshof [BGH] [Federal Supreme Court] Dec. 1, 1961, I ZR 131/56, GRUR 1962, 294 – Hafendrehkran (Ger.).

settlement.¹²² Thus, a mere public statement in electronic form cannot be constructed as a valid patent waiver.

2. *Simple Consent*

A VPP in a public announcement which does not constitute an offer for a contract may still be characterized as simple consent to the use of the covered technology.¹²³ The German Federal Court has recently applied this approach in the prominent copyright case *Vorschaubilder*¹²⁴ dealing with Google's image search. According to the Federal Court, Google's use of copyright protected material as thumbnails in its image search function is justified by the implied consent of the concerned right holders.¹²⁵ The court inferred this implied consent from the fact that the right holders made images available on the Internet without technological measures to block the image search function. Such consent allows the use of covered material but does not give any enforceable right to the user.¹²⁶ Also, the consent may be revoked prospectively at any time, but not with retroactive effect.¹²⁷ Since the simple consent does not provide the user with any enforceable rights, it is not required that the right holder declares the intention to be bound.¹²⁸

The *Vorschaubilder* decision has been harshly criticized by commentators, especially for its ignorance of fundamental

¹²² *Id.*

¹²³ On consent in German civil and intellectual property law see ANSGAR OHLY, "VOLENTI NON FIT INIURIA": DIE EINWILLIGUNG IM Privatrecht *passim*, (Tübingen 2002).

¹²⁴ Bundesgerichtshof, [BGH] [Federal Supreme Court] Apr. 29, 2010, I ZR 69/08, GRUR 2010, 628 – *Vorschaubilder* (Ger.). See Matthias Leistner, *The German Federal Supreme Court's Judgment on Google's Image Search – A Topical Example of the "Limitations" of the European Approach to Exceptions and Limitations*. INT'L REV. OF INTELL. PROP. AND COMPETITION L. 42(4): 417–442 (2011).

¹²⁵ *Id.*

¹²⁶ I ZR 69/08, GRUR 2010, 628 at ¶ 34.

¹²⁷ *Id.* at ¶ 37.

¹²⁸ *Id.* at ¶ 34.

principles of civil law.¹²⁹ One should therefore be careful and avoid any hasty generalization. However, the case shows the potential of the doctrine of consent for the “accepted use” of intellectual property. If companies publish announcements like the above cited statements of Tesla,¹³⁰ such declarations may be interpreted as simple consent in the use of the covered technology. Such a characterization should even be allowed if the pledge is explicitly drafted as “not legally binding,”¹³¹ because it belongs to the very nature of a simple consent to be without any binding effect for the future and to be revocable at any time. Nevertheless, patent holders using those simple pledges should be barred from claiming damages for the use of their patented technology in the past. As long as simple consent has not been revoked, it precludes any claim for patent infringement that has been committed in the past.¹³² As a consequence, the principles of exhaustion should be applicable to products manufactured by users relying on the patent pledge. But the preclusion of claims comes to an end whenever the pledge is revoked. Users should also be careful if the patent has been transferred and the transferee has not announced whether the pledge will be upheld or revoked. The simple consent has no in rem effect and does not bind the transferee. Companies using technology on the basis of a simple patent pledge bear considerable economic risks. Any investment in products or services depending on the protected technology may be jeopardized by the patent holder after a revocation of the patent pledge.

3. *Good Faith as Defense*

Finally, if a public statement may neither be qualified as a contract offer nor as simple consent, the defendant in a patent case may still raise the general defense of “good faith” stated in section 242 of the German Civil Code.¹³³ A patent holder declaring in public that his patents will not be enforced but suing users of the

¹²⁹ See, e.g., Spindler, *Bildersuchmaschinen, Schranken und konkludente Einwilligung im Urheberrecht – Besprechung der BGH-Entscheidung “Vorschaubilder,”* GRUR 2010, 785, 789–92 (2010).

¹³⁰ See *supra* note 120 and accompanying text.

¹³¹ See Graham, *supra* note 13.

¹³² OHLY, *supra* note 123, at 346.

¹³³ Bürgerliches Gesetzbuch [BGB] § 242.

patented technology behaves inconsistently. The defendant could try to win the case on the basis of “venire contra factum proprium” doctrine, a subcategory of the broader principle of good faith. The “venire contra factum proprium”-doctrine has been applied by German courts in many different areas.¹³⁴ However, the court practice in patent cases is meager.¹³⁵ The few reported cases concern situations in which the patent holder declared during examination or opposition proceedings that he will not claim certain varieties of a technology but later brought claims for exactly those varieties against a defendant who relied on his declaration. The application of the “venire contra factum proprium”-doctrine in the case of a broken patent pledge has not yet been tested in German courts. The probability of succeeding with the defense is therefore hard to predict.

IV. SUMMARY AND CONCLUSION

Voluntary Patent Pledges have become increasingly popular over the last few years. Even though VPPs are made by different means and with different strategic goals, they share that they are drafted to encourage other companies and competitors to make investments and to further innovate based upon the covered technology. In that respect, patent pledges show great potential to provide a new basis for innovation. However, companies and individuals who take advantage of these pledges to facilitate innovation do so in reliance on their enforceability. Thus, it is critical that patent pledges are legally binding and enforceable. The analysis provided above has shown that patent pledges can be interpreted in different ways and—even more importantly—that different national legal theories may result in different legal effects.

While the U.S. analysis—especially recent U.S. case law—suggests that patent pledges will be interpreted as patent licenses, with all the legal consequences of such licenses, there is also room

¹³⁴ See, e.g., Bundesgerichtshof [BGH] [Federal Supreme Court] Nov. 5, 1974, VI ZR 100/73, NJW 1975, 109 (Ger.).

¹³⁵ See ALFONS SCHÄFERS, PATENTGESETZ 505–06 (Georg Benkard, ed.) (11th ed. Munich 2015).

to argue that patent pledges are significantly different from licenses, as they are defined as unilateral promises addressed to the market in general and not to specifically identifiable parties. Promissory estoppel may offer an alternative approach to tackle patent pledges, but comes with additional concerns, including the burden of proof and revocability. The German analysis also fails to provide satisfactory legal certainty. Depending on the language, patent pledges may be interpreted as patent license contracts, mere procedural contracts, or simple consent with differing legal consequences. In addition, the defendant may use arguments based on good faith. Since the rule of territoriality can overrule some aspects of commonly implemented choice-of-law clauses, any future drafting of patent pledges and any use of pledged patents should consider the international perspective.

Furthermore, future analysis should not only reflect commonly known legal instruments, but also look carefully at the parties' will and the motivation behind a patent pledge. While the patent holder may not be willing to enter a legally binding contract or license, because of the known legal consequences, such as patent exhaustion or the first sale doctrine, he may still want competitors to use the technology and make investments. Pledge recipients may want to enjoy the benefits of immediate access to technology without lengthy and often costly license negotiations. Both perspectives have a legitimate interest and must be brought into a fair balance. Maximum flexibility for the pledgor will not always meet the requirements and prospects of the pledge recipient.

With the current legal system not having a sensible solution or suitable answer, it is even more important to further discuss and engage in the use of patent pledges. Above all, they should not be used as a tool to surpass and avoid commonly accepted and proven legal instruments. Whenever the respective language of a patent pledge shows clear indications and characteristics of a license, it should be interpreted as such, even if packaged and labeled differently. In other words, pure renaming of a license cannot result in different legal consequences. Only in cases where the language of the patent pledge clearly communicates different goals and different envisaged legal results, and where these goals are understandable and foreseeable for the pledge recipient, a fair

balance between the interests of the respective pledgor and pledge recipient can be assumed.

To conclude, voluntary patent pledges can provide a sound basis for innovation if they are drafted accurately and in a way that reflects the respective outward objective while clearly communicating legal consequences. With significant legal and economic risks for pledge recipients, it is critical to identify mechanisms to hold pledging companies accountable. Otherwise, the new patent panacea can easily backfire and hinder innovation instead of supporting it. Transparency and further legal analysis accompanied by a better informed public discussion around patent pledges seem inevitable to provide legal certainty for pledge recipients. This is especially true in order to understand the potential impact of unmet promises and pledges on innovation, competitiveness, vendor margins and ultimate costs to society.

From a legal perspective, one way to enhance legal certainty could be the development of certain procedures when communicating patent pledges or using pledged patents. Where patent pledges may lead to promissory estoppel or may be interpreted as simple consent, clear guidelines could help to understand the requirements for effective revocation. A step-by-step procedure ranging from the publication of the revocation in a comprehensible manner to a grace period and a final notice to the pledge recipient before filing infringement claims would make the use of pledged patents more predictable and economic risks calculable. Concurrently, there is room to build best practices for pledge recipients, such as required research of patents and related pledges in the field of targeted technologies or other duties to exercise due care and collect sufficient information before using pledged technology.

From a political perspective, the growing popularity of patent pledges should not only pose the question of how to qualify patent pledges under the current legal system and provide legal certainty, but also the question for patent reform. Patent trolls are only one recent phenomenon to demonstrate that patents are used in many different ways and that the long known theory whereby patents create incentives to invent in the first place may be in need of

revision. After years of “patent wars” and with all the money spent on legal disputes, patent pledges can open the stage for a constructive debate about new ways for companies to make use of their inventions instead of blocking each other.