

Alert | Intellectual Property Litigation



February 2022

Dutch Court Has International Jurisdiction in FRAND Matter Primarily Involving Foreign Parties

This GT Alert covers the following:

- In *Vestel v Philips c.s.*, the Hague District Court ruled it has international jurisdiction over a FRAND matter that involves only foreign plaintiffs and where three out of the four co-defendants are equally foreign.
- Judgement in the main proceedings could potentially see Dutch court setting FRAND rate or bandwidth.

The landmark ruling of the Court of Justice of the EU (CJEU) in *Huawei v ZTE*¹ confirmed that an (alleged) implementer sued for infringement of a standard essential patent – i.e., a patent protecting industry standard technologies (SEP) – can rely on an antitrust/competition defense against claims for injunctive relief, if the SEP holder refuses to grant a license under Fair, Reasonable And Non-Discriminatory (FRAND) terms.

The application of this FRAND defense to an individual case, however, is left to the national courts in EU Member States. When it comes to the legal approach, European case law appears to be converging, with a focus on the behavior of the parties, i.e., of the SEP holder and the implementer. Nevertheless, there

¹ Case C-170/13, *Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH*, judgement of July 16, 2015.

remain important differences among Member States – e.g., in relation to procedural aspects – and the case law is not settled in all aspects in relation to the legal approach.

On Dec. 15, 2021, the Hague District Court delivered its judgement in incident in *Vestel v Philips c.s.*, published Jan. 18, 2022.² The judgement in incident is part of a SEPs and FRAND licensing dispute between Vestel, on the one hand, and Philips, Advance, GEVC and IP Bridge (collectively: “Philips c.s.”) on the other. As part of that dispute, Vestel has requested in the main proceedings, *inter alia*, the Hague District Court to declare as a matter of law what a FRAND rate is or what the FRAND bandwidth is for a license regarding the High Efficiency Video Coding (HEVC) standard notified SEPs from the Access Advance Patent Pool. The judgement in incident deals with the international jurisdiction of the Hague District Court where the two plaintiffs and three out of the four co-defendants are based outside of the Netherlands.

The FRAND defense at the EU-level and in the Netherlands

The CJEU ruled in *Huawei v ZTE* on how the enforcement of an (alleged) SEP relates to the dominance prohibition provision of Article 102 of the Treaty on the Functioning of the EU (TFEU). The Court of Appeal of the Hague subsequently fleshed out *Huawei v ZTE* for the Netherlands in its judgements in *Philips v Asus*³ and *Philips v Wiko*.⁴

The starting point in *Huawei / ZTE* is that SEPs are distinct from other intellectual property (IP) rights. Whereas with normal IP rights, their enforcement can only constitute abuse within the meaning of Article 102 TFEU in exceptional circumstances, for SEPs the mere refusal to license on FRAND terms can in principle constitute abuse (*Huawei / ZTE*, at para. 53). It also follows from this that against an action for an injunction or recovery, in principle it can be successfully argued that such a refusal is abusive (*ibid.*, at para. 54). Therefore, it is incumbent on the SEP holder, who has committed under its FRAND obligation to license on FRAND terms, to ensure that such a claim does not constitute an abuse (*ibid.*, at para. 55). This obligation for the SEP holder to act in accordance with its FRAND obligation is central to *Huawei v ZTE* and recurs in several places. For example, the explicit obligation to make an offer on FRAND terms to the user who has indicated a willingness to license on FRAND terms is set out at para. 63.

In *Huawei / ZTE*, the CJEU provided a step-by-step plan for what is expected of the SEP holder to comply with its FRAND obligation. The Court of Appeal of the Hague observed in *Philips v Asus* that the CJEU did not intend to set strict rules with the step-by-step plan, whereby not following it precisely and completely would immediately mean that maintaining a SEP would immediately constitute a violation of Article 102 TFEU. However, the Court of Appeal of the Hague also observed that the CJEU did intend to provide guidelines for good faith negotiations between parties. In this respect, the SEP holder may also be expected to make its license offer first and to negotiate on it in good faith before bringing an action:

Rather, the steps mentioned by the CJEU in the *Huawei v. ZTE* judgment should therefore be regarded as guidelines for good faith negotiations between the parties on a FRAND license. On the one hand, the SEP holder may thereby be expected to inform the SEP user of its SEPs, to be the first to make a license offer and to negotiate on it in good faith before bringing an injunction, so that the negotiations can be conducted without pressure from an impending injunction. On the other hand, the SEP user should act willingly and, in particular, not use delaying tactics, which

² Case C/09/604737 / HA ZA 20-1236, *Vestel Elektronik Sanayi Ve Ticaret A.S., Vestel Germany GmbH v Koninklijke Philips N.V., Access Advance LLC, GE Video Compression LLC, Godo Kaisha IP Bridge 1*, judgement of Dec. 15, 2021.

³ Case C/09/512839 /HA ZA 16-712, *Koninklijke Philips N.V. v Asustek Computers INC., Asus Europe B.V. and Asus Holland B.V.*, judgement of May 7, 2019.

⁴ Case C/09/511922/HA ZA 16-623, *Koninklijke Philips N.V. v Wiko SAS*, judgement of July 2, 2019.

includes making a written counterproposal at short notice if it does not want to accept the SEP holder's license offer.

(*Philips v Asus*, at para. 4.171 (informally translated to English)).

Judgement in incident in *Vestel v Philips c.s.*

Legal entities based in Turkey and Germany belonging to the Vestel electronics group initiated proceedings before the Hague District Court.

Philips c.s. contested the international jurisdiction of the Dutch court against the co-defendants Advance, GEVC and IP Bridge, given that these three co-defendants are based in the United States and Japan respectively. According to Philips c.s., it follows from Article 6 of [Regulation \(EU\) No 1215/2015](#)⁵ (Regulation) that the jurisdiction vis-à-vis these co-defendants – who are not domiciled in the territory of an EU Member State – is governed by the Dutch common rules on international jurisdiction. As such, Article 7(1) of the Dutch Code of Civil Procedure requires such a connection between the actions against the various co-defendants that for efficiency justify a joint hearing. Philips c.s. argued there was no connection between the claims against Philips and the claims against the foreign co-defendants such that reasons of expediency warranted joint treatment.

However, the Hague District Court ruled that Article 8(1) of the Regulation can be interpreted more broadly, and that to deem itself competent in the dispute, the District Court must look at the true relationships between the parties in the dispute at hand. Moreover, the District Court held that it must judge its own competency from the perspective of efficiency. As the claims and the grounds for the claims against the co-defendants are identical and cover the same territory, the Hague District Court considered itself internationally competent to deal with the dispute between Vestel and Philips c.s.

Differently put, the Hague District Court concluded that the parties' connection to the Netherlands through Philips was strong enough to warrant the hearing of the case. As such, Vestel's proceedings against Philips c.s. on FRAND will continue.

As a side note, the Hague District Court also held it has jurisdiction to hear the case within the Netherlands and stayed a decision on the cost of the proceedings.

Conclusion

Vestel v Philips c.s. is an unusual – although not unique⁶ – case in that the implementer (Vestel) initiated proceedings in the Netherlands rather than the SEP holder (Philips c.s.).

In its judgement in incident, the Hague District Court ruled that it has international jurisdiction over a FRAND matter that involves only foreign plaintiffs and where three out of the four co-defendants are equally foreign. The judgement could have implications for other patent pools, especially where one of the SEP holders is located in the Netherlands.

⁵ 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, OJ L 351/1 of Dec. 20, 2012.

⁶ Case C/09/505587 / HA ZA 16-206, *Archos S.A. v Koninklijke Philips N.V.*, judgement by the District Court the Hague of Feb. 8, 2017.

It remains to be seen whether the outcome in the main proceedings could open the door for the Dutch courts to set FRAND rates or bandwidths in, e.g., the Netherlands or globally.

Author

This GT Alert was prepared by:

- [Robert Hardy](#) | +31 20 301 7327 | Robert.Hardy@gtlaw.com

Albany. Amsterdam. Atlanta. Austin. Boston. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Germany.[~] Houston. Las Vegas. London.* Long Island. Los Angeles. Mexico City.+ Miami. Milan.* Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Francisco. Seoul.[∞] Shanghai. Silicon Valley. Tallahassee. Tampa. Tel Aviv.^ Tokyo.* Warsaw.⁻ Washington, D.C.. West Palm Beach. Westchester County.

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ~Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. *Operates as a separate UK registered legal entity. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ∞Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ¢Greenberg Traurig's Tokyo Office is operated by GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaikokuhojimubengoshi Jimusho, affiliates of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ~Greenberg Traurig's Warsaw office is operated by GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2022 Greenberg Traurig, LLP. All rights reserved.*