

ARTICLE

FRAND LICENCES: THE PARIS COURT OF FIRST INSTANCE CONFIRMS ITS JURISDICTION

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PROPRIÉTÉ INTELLECTUELLE

Two decisions of 7 December 2021[1] in the same case (i) confirm the jurisdiction of the Paris Court of First Instance to hear claims relating to the determination of a FRAND rate at the global level and (ii) recognise ETSI's standing to defend in this type of dispute. The case opposes Xiaomi against Philips and ETSI.

In a case previously commented on[2], the Pre-Trial Judge of the Paris Court of First Instance ("Paris Court") recognised his jurisdiction to hear the claims brought by TCL and TCT against companies of the Philips group and ETSI[3] in a global dispute relating to so-called "FRAND" licences. TCL and TCT, which were involved in infringement proceedings brought by Philips in other countries, asked the Paris Court to set a FRAND royalty rate on a portfolio of Philips patents declared essential to ETSI. Jurisdiction was retained on the basis of Article 8(1) of the Brussels I bis Regulation, the Paris Court of First Instance being the forum of one of the defendants, in this case ETSI. An appeal was lodged against the order by TCT and TCL, but the parties having finally reached a settlement, the Court of Appeal did not hear the case.

The case which gave rise to the decisions discussed here[4] pits companies of the Xiaomi group ("Xiaomi") against companies of the Philips group ("Philips") and ETSI.

By writ of summons dated November 30, 2020, Xiaomi asked the Paris Court of First Instance, inter alia, to (i) confirm the existence of a FRAND license for its benefit on the patents declared by Philips to ETSI as essential to the LTE and UMTS standards and (ii) enjoin Philips to comply with its obligations towards ETSI and to propose a FRAND license rate to Xiaomi or, in the alternative (iii) set the FRAND license rate itself.

In the summons, Xiaomi also made a number of claims against ETSI, including that ETSI should require Philips to fulfil its obligations under the ETSI Rules of Procedure.

In April, Philips argued that the Paris Court of First Instance lacked jurisdiction, arguing in substance that only claims against ETSI would justify the jurisdiction of the Paris Court of First Instance and that no claim had actually been brought against ETSI.

For its part, ETSI raised an objection based on its alleged lack of standing to defend. This objection was referred by the Pre-Trial Judge to the Paris Court of First Instance[5].

In the motion raised by Philips, the Pre-Trial Judge, by order of 7 December 2021[6], recognised the jurisdiction of the Paris Court of First Instance to hear Xiaomi's claims, thus confirming the position taken in 2020 in the TCL case (1).

In a judgment of the same day[7], the Paris Court of First Instance also dismissed the objection raised by ETSI on the grounds of alleged lack of standing to defend (2).

These decisions, both of which remain subject to appeal, confirm that Parisian First instance judges consider themselves competent and therefore ready to play a leading role in essential patent cases with a global dimension (3).

1) The jurisdiction of the Paris Court of First instance

The internal jurisdiction of the Paris Court of First instance

The Pre-Trial Judge first recognised the internal jurisdiction of the Paris Court of First Instance, in accordance with the case law of the French Supreme Court ("cour de cassation")[8], according to which this jurisdiction is established when the examination of the existence or non-existence of a patent right is necessary for the solution of the dispute. The Pre-Trial Judge considers that the criterion is fulfilled since the issue is the determination of a FRAND rate for a licence of essential patents.

The international jurisdiction of the Paris Court of First instance

The Pre-Trial Judge then recognises the international jurisdiction of the Paris Court of First instance.

The judge begins by recalling the case law of the Court of Justice of the European Union[9]:

- which interprets the provisions of the abovementioned Article 8(1) autonomously[10] and thus without reference to the rules of domestic law organising international jurisdiction,
- which requires that the claims against the defendants be so closely related that it is expedient to hear and determine them together in order to avoid solutions which might be irreconcilable if the cases were heard separately[11],
- which, in examining this connection, requires verification of the existence of a link of connection such that it is in the interest of the parties to make them heard together in order to avoid solutions which might be irreconcilable if the cases were heard separately[12], and
- which, still for the purpose of examining this link, even hypothetically, does not consider the difference in legal basis, as long as it was foreseeable that the defendants would be sued before the court of the forum of one of them[13].

The Pre-Trial Judge also emphasises:

- it is not necessary to verify whether the claim on which the jurisdiction of the court seized is based was made solely for the purpose of removing one of the defendants from the courts of his domicile[14], and
- that the only limitation is the existence of collusion between the plaintiff and the said codefendant with a view to creating or maintaining, in an artificial manner, the conditions for the application of the provisions of Article 8(1) mentioned above at the date of the commencement of the action against the defendants[15].

In this case, the Pre-Trial Judge considered that:

- the identity of the factual and legal situation is established, the claims against ETSI and Philips being all originated in the application of ETSI's rules on intellectual property, to which Philips and ETSI are subject pursuant to their obligations under French law, namely the ETSI association contract and the mechanism of stipulation for third parties by which Philips obliged itself to grant the licence;
- the risk of irreconcilable decisions is established since, if the claims were heard separately, a French court could decide that ETSI should contribute to the conclusion of a FRAND licence while a foreign court could decide that Philips had indeed respected its commitments and already offered a FRAND licence;
- no collusion between Xiaomi and ETSI is alleged and the claims made are not artificial as ETSI has legal means to ensure compliance by its members with their intellectual property obligations ;
- no court has previously been asked to set a FRAND royalty rate.

He concluded that the claims against ETSI and Philips are so closely related that they should be heard together and that the Paris Court of First Instance has jurisdiction to hear them.

2) ETSI's standing to defend

In the motion brought by ETSI seeking a declaration that Xiaomi's claims against it were inadmissible on the ground of an alleged lack of standing of ETSI, the Court of First Instance held that the arguments raised by ETSI related, in reality, more to the merits of Xiaomi's claims than to a lack of standing of ETSI.

However, it is settled case law that the admissibility of an action is not conditional on proof of its merits[16].

3) Paris at the center of the map

The negotiation of FRAND licences always follows the same pattern involving ETSI, the holder(s) of the essential patent(s) and the company(ies) operating the standard.

With these decisions of 7 December 2021, the judges of the Paris Court of First Instance confirm their position that, once a patentee chooses to declare its essential patent to ETSI, making claims against ETSI allows the dispute to be submitted to the French courts, for such claims against ETSI as well as for those

against the patentee.

The judges of the Paris Court of First instance thus confirm that they are ready to play a leading role in essential patent cases with a global dimension. These decisions on the jurisdiction of the Paris Court of First Instance and the standing of ETSI to defend are indeed an important first step if the Paris courts are ever to provide the much-needed clarity on the issue of determining a FRAND rate.

It remains to be seen whether the Court of Appeal, if seized, will follow them.

If this is the case, it can be said that Paris - which will be the seat of the central division of the court of first instance of the future Unified Patent Court[17] and the seat where telecommunication cases brought before the central division will be heard[18] - fully assumes its place at the center of the FRAND litigation map.

[1] TJ Paris, 3.3, JME, 7 Dec 2021, RG 20/12558; TJ Paris, 3.3, judgment, 7 Dec 2021, RG 20/12558. In this case, August Debouzy is representing Xiaomi.

[2] TJ Paris, 3.1, JME, 6 Feb. 2020, RG 19/02085 commented in our flash of 3 March 2020: <https://www.august-debouzy.com/fr/blog/1428-licences-frand-le-tribunal-judiciaire-de-paris-reconnait-sa-competence>, also commented on <https://www.juve-patent.com/news-and-stories/cases/paris-takes-first-step-towards-becoming-frand-hotspot/>

[3] European Telecommunications Standard Institute, the European standardisation body in the field of telecommunications recognised by the European Union

[4] These decisions are also commented on at <https://www.juve-patent.com/news-and-stories/cases/paris-court-asserts-jurisdiction-in-philips-and-xiaomi-frand-dispute/>

[5] in accordance with Article 789, 6°, paragraph 2, in fine, as amended by Decree n°2019-1333 of 11 December 2019

[6] TJ Paris, 3.3, JME, 7 Dec 2021, RG 20/12558

[7] TJ Paris, 3.3, judgment, 7 Dec. 2021, RG 20/12558

[8] Cass. Com., 16 Feb. 2016, pourvoi n° 14-24.295, Bull. 2016, IV, n° 30, available on <https://www.legifrance.gouv.fr/juri/id/JURITEXT000032084813/>

[9] CJEU Cartel Damage Claims (CDC) Hydrogen Peroxide SA v Akzo Nobel NV ea, C-352/13, available at <https://curia.europa.eu/juris/liste.jsf?num=C-352/13&language=FR>

[10] CJEU Reisch Montage, C-103/05, paragraph 29; available at <https://curia.europa.eu/juris/liste.jsf?language=fr&num=C-103/05>

[11] CJEU Painer, C-145/10, paragraph 73, available at <https://curia.europa.eu/juris/liste.jsf?language=fr&num=C-145/10> ; and CJEU Sapir and others, C-645/11, paragraph 40, available at <https://curia.europa.eu/juris/liste.jsf?num=C-645/11&language=FR>

[12] CJEU Freeport, C-98/06, paragraph 39, available at <https://curia.europa.eu/juris/liste.jsf?language=fr&num=C-98/06> ; as well as Sapir and others, cited above, C-645/11, paragraph 42

[13] CJEU Painer, cited above, C-145/10, paragraph 84

[14] CJEU Freeport, cited above, C-98/06, paragraph 54

[15] CJEU Cartel Damage Claims (CDC) cited above, C-352/13

[16] Cass. com. 29 Jan. 2013, pourvoi n° 11-27.351, available on <https://www.legifrance.gouv.fr/juri/id/JURITEXT000027023981/>

[17] Article 7.2 of the JUB Agreement, available at <https://eur-lex.europa.eu/legal-content/FR/ALL/?uri=CELEX%3A42013A0620%2801%29>

[18] Annex II of the JUB Agreement, available at <https://eur-lex.europa.eu/legal-content/FR/ALL/?uri=CELEX%3A42013A0620%2801%29>