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XIAOMI Case: Paris, the “New World” of FRAND

Matthieu Dhenne (Ipsilon) · Monday, December 27th, 2021

I have already mentioned on many occasions on this blog the difficulties that FRANDs were causing regarding the choice of jurisdiction and the increasingly favorable position of French Courts to SEPs holders. The two decisions rendered by the Paris High Court in the XIAOMI vs. PHILIPS case confirm this trend by holding that the Paris High Court has jurisdiction to set a global FRAND rate, as ETSI is in Nice, France (December 7, 2021, [RG 20/12558]). I will return below to the context of this decision, before referring to the decision itself and giving my comments on it.

XIAOMI Case Context

It is first necessary to briefly recall the context. The nature of the FRAND undertaking is at issue here and many theories have been put forward. While the Court of Justice has held that the FRAND undertaking must be examined in the light of competition law (competition law approach), others consider that it is a contractual undertaking given by the patentee to an organization (the European Telecommunications Standards Institute, or “ETSI”) for a third party (the license applicant), in other words, a “stipulation pour autrui” (i.e. French civil law mechanism equivalent to a third-party beneficiary clause). In the latter case, the jurisdiction of the French judge could be imposed, since ETSI is in Nice (contractual approach) (see [here](#)).

This issue had already been raised in TCL case. Thus, on February 6, 2020, the Paris High Court recognized its jurisdiction to hear FRAND license litigations involving ETSI and ruling that the commitment of SEPs to grant FRAND licenses constituted a “stipulation pour autrui” (see [here](#)).

Surprisingly, this contractual nature also seems to have been recognized by the English and German Courts, which have not, however, drawn the consequences. Thus, in the Unwired Planet case, the British Supreme Court relied on the commitment made to ETSI while applying a competition law approach (see [here](#)). Similarly, the *Bundesgerichtshof* (i.e. the German Federal Court of Justice), in the *Einwand II* case, departed from the position of the Court of Justice by focusing more on the undertaking given by the patentee than on competition law (see [here](#)).

XIAOMI Case in itself

In the context described below, the case opposing XIAOMI and PHILIPS seemed fundamental: would the French Judge confirm the position adopted in February 2020 in the TCL case?

On November 30, 2020, XIAOMI served a writ on PHILIPS, mostly to force the latter to respect its obligations towards ETSI to grant a FRAND license rate and to ask the judge to set this rate itself. ETSI was also served with a writ to compel PHILIPS to perform its obligations under ETSI's rules of procedure. In April 2021, PHILIPS and ETSI argued that the French Judge lacked jurisdiction: the first, because no claim was directed at ETSI, and the second, because it considered that it did not have quality to defend.

The Judge rejected both claims.

First, he held that the Paris High Court had jurisdiction, from a national point of view, because its jurisdiction was established as soon as the existence or disregard of a patent right was necessary for the resolution of the litigation.

Secondly, it ruled that the Paris High Court had jurisdiction, from an international point of view, in application of the CJEU's interpretation of Article 8.1 of the Brussels Regulation I Bis. It was thus essentially recalled that it was a question of determining whether a sufficient link existed between the claims: a link so close between the claims made against the defendants that judging them at the same time avoids, in particular, leading to irreconcilable solutions if they were judged separately (CJUE, [Painer](#) and [Sapir e.a.](#)). Knowing that in this case the Judge does not have to check whether the request was formulated with the sole aim of removing one of the defendants from the jurisdiction of his forum (CJUE, [Freeport](#)). On the other hand, privity must be rejected if the plaintiff and the defendant have agreed to create or maintain, artificially, the conditions for the application of Article 8(1) mentioned above (CJUE, [Cartel Damage Claims \[CDC\] Hydrogen Peroxide SA vs. Akzo Nobel NV ea.](#)).

Thus, in the XIAOMI case, the Judge retained jurisdiction because: the identity of the factual and legal situation was established, the claims against PHILIPS and ETSI were based on the application of ETSI rules; the risk of irreconcilable decisions was also established, between a French Court and a foreign Court; no collusion between XIAOMI and ETSI is alleged, since the latter raised incompetence with PHILIPS; no court had previously been seized with a request to set a FRAND royalty rate.

XIAOMI Case Comments

The XIAOMI decisions, which are particularly well reasoned, are to be approved on several grounds.

There is little doubt that French contract law would offer an interesting angle in the resolution of FRAND litigations. One could imagine bypassing the protocol imposed by the *Huawei vs. ZTE* decision, given that the obligation to negotiate a contract in good faith does not imply compliance with that protocol and that the absence of a final agreement does not necessarily imply a violation of ETSI rules.

Moreover, decisions would also gain legitimacy, especially in a global framework filled with anti-suit injunctions, by clarifying in what capacity the judicial authority can unilaterally set an overall

rate. Indeed, since the FRAND undertaking constitutes a form of “stipulation pour autrui”, this provides a real basis for the forum choice (French contract law) and legitimizes the setting of an overall rate by one Court (Paris High Court). While it is true that, on the other hand, the ETSI itself and its rules undoubtedly deserve serious reform to become truly effective.

It should also be remembered that the French Courts also refuse anti-suit injunctions (“ASIs”), with anti-anti suit injunctions (“AASIs”) (see [here](#)). Indeed, in October 2019, after Lenovo had filed an ASI in the United States in September 2019, IPCom had filed an action before the Paris TGI, to obtain an AASI against Lenovo. In November 2019, the Paris High Court had ruled in favor of IPCom, finding that ASIs were contrary to French public policy, except where they were intended to enforce arbitration or jurisdictional clauses. In addition, according to the Paris Judges, the ASI sought by Lenovo would amount to a violation of IPCom’s property rights. In March 2020, the Paris Court of Appeals upheld this ruling.

The XIAOMI decision confirms the trend of the Paris High Court jurisprudence, which has exclusive jurisdiction over patents, in favor of SEPs. It now remains to be seen whether right holders will at least consider more and more seriously the opportunity that the French territory represents a place where it is decidedly good to live when one wishes to attack with SEPs.

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