

March 19th, 2004

First Chamber

N° C02/110HR

JMH

ON BEHALF OF THE QUEEN  
**SUPREME COURT OF THE NETHERLANDS**

**ORDER**

In the case of:

KONINKLIJKE PHILIPS ELECTRONICS N.V.,  
Incorporated in Eindhoven,  
PLAINTIFF in cassation,  
Counsel: W. Taekema,

v e r s u s

1. Company under foreign law  
POSTECH CORPORATION,  
incorporated in Taiwan, Republic of China,
2. Company under foreign law  
PRINCO CORPORATION,  
incorporated in Taiwan, Republic of China,
3. the company under foreign law  
PRINCO SWITZERLAND AG,  
incorporated in Zug, Switzerland,

DEFENDANTS in cassation,

Counsel: R.S. Meijer.

## 1. Proceedings on the merits

The Plaintiff in cassation - hereinafter referred to as Philips -, in its writ of October 2, 2000, has summoned the defendants in cassation – hereinafter referred to as Postech c.s. – and 7 other companies in summary procedures before the President of the Court of ‘s-Gravenhage and, as far as relevant in cassation and after lowering the claim (summary), has demanded that Postech c.s. be forbidden to violate the patent rights that are rightfully Philips’ s, as well as that they be ordered (i) to indicate an address to the other defendants where the CD-Rs should be handed in, (ii) to make sure these CD-Rs are destroyed and (iii) to give Philips a written certificate from the destruction company showing that said destruction has actually taken place.

Postech c.s. have fought these claims.

In a judgment of January 11, 2001 the President assigned the provisions claimed against Postech c.s. in first instance.

Postech c.s. appealed this judgment at the Court of Justice in ‘s-Gravenhage. They filed for a cancellation of the judgment and concluded the Dutch judge is incompetent to rule on the claims by Philips, or in any case that the claims must be denied.

In its memorandum of reply, Philips modified and increased its claims and ordered to reinforce the aforementioned judgment and in an order, provisionally enforceable without guarantee:

1. to forbid Postech c.s., each individually, to import the CD-Rs that – in view of the rights of Philips - should be considered “goods violating an intellectual property right” as meant in art. 1 paragraph 2 sub a of the EC directive 241/1999, in any Member State of the European Community for which that is the case or to (re-) export such merchandise, to place them under a suspensive arrangement or to perform one or more of the relevant actions or to be involved in such;
2. to forbid Postech c.s., each individually, involvement with actions violating EO 0 265 984 or EO 0 325 330 or one of both patents in any country for which these patents (or the relevant patent) are valid;
3. to order Postech c.s., each individually, to pay a periodic penalty payment of *f* 25,000.- for each day on which the relevant appellant does not (fully) comply with the required prohibitions and/or orders; or - as per Philips’ choice - to a periodic penalty payment of *f* 1.000,- for each CD-R for which a violation of one or more of the given prohibitions or orders should have taken place;
4. to condemn Postech c.s. to pay the costs of the appeal procedures.

Postech c.s. have opposed this increase of the claims and has ordered a release of all garnishments against a periodic penalty payment.

In its order of October 25, 2001 the court cancelled the appealed judgment barring the judgment concerning the costs of the proceedings and as such, rendering justice:

1. by prohibiting Postech c.s., each individually, to violate the rights Philips derives from the European patent 0.397.238 in the Netherlands, against a periodic penalty payment of *F* 25.000,- for each day it is shown that Postech c.s. does not or not completely or not appropriately comply with the prohibition or - as per Philips’ choice - a periodic penalty payment of *F* 1.000,- for each CD-R for which the prohibition has been violated;
2. by denying any other or different claims;
3. by reinforcing the judgment concerning the payment of the process costs;

4. by declaring this order provisionally enforceable and
5. by compensating the costs of the appeal procedures by allocating their own costs to each party.

The order of the Court is attached to this order.

## 2. Cassation procedures

Philips appealed this order in cassation. The cassation writ is attached to this order and is an integral part thereof.

Postech c.s. have concluded to deny the appeal.

Philips has had the case explained by its counsel en Postech c.s. have had the case explained on behalf of their counsel by L.M. Schreuders-Ebbekink, lawyer with the Supreme Court.

The conclusions of Advocate General L. Strikwerda aim at the cancellation of the appealed order of the Court of Justice at 's-Gravenhage and to refer the case to that Court of Justice for further treatment and decision.

## 3. Appraisal of the arguments

3.1 In cassation, the following can be assumed.

(i) Philips is proprietor of the following European patents:

- n° 0.342.748, granted on February 2, 1994;
- n° 0.327.172, granted on December 14, 1994;
- n° 0.397.238 granted on November 22, 1995.

These patents concern information carriers in the form of compact disks on which the user can store information, also known as "recordable" CDs or CD-Rs.

(ii) Postech, Princo Taiwan and Princo Switzerland manufacture and commercialise CD-Rs. Postech and Princo Taiwan are incorporated in Taiwan, Princo Switzerland in Switzerland.

(iii) Philips finds that the CD-Rs of Postech c.s. violate its aforementioned patents and asked the Dutch customs authorities to immediately be notified of the declaration of such CD-Rs with a mention of the declarer and the beneficiary, based on the (EC) Directive n° 3295/94 of the Council of December 22 1994 that includes a number of measures concerning the importation within the Community as well as the exportation and re-exportation out of the Community of goods violating certain intellectual property rights, PbEG L 341/8, as amended by (EC) Directive n° 241/1999 of the Council of January 25 1999, PbEG L 27/1 (hereinafter: the EC Piracy Directive).

(iv) Such information was passed on by customs to Philips with respect to the content of some six shipments of CD-Rs, all coming from Postech or Princo Taiwan and shipped from Taiwan. The beneficiary was, amongst others, Princo Switzerland.

(v) Philips has proceeded to the garnishment of all of these aforementioned shipments.

3.2 Philips has summoned Postech c.s. in summary proceedings and claimed as described in 1. The President granted the requested provisions.

In an appeal, Postech c.s. requested the cancellation of the judgment and concluded that the Dutch judge was incompetent to rule on Philips' claims and that the claims should be denied. In its memorandum of reply, Philips modified its claim and increased it as described in 1. After lowering its claims in a plea by withdrawing the requested violation prohibition with respect to the violation of the European patents 0.265.984 and 0.325.330, in appeal the court recognized the following claims by Philips:

- a) to prohibit Postech c.s., each individually, to violate the rights Philips derives from the European patents 0.327.172, 0.397.238 and 0.342.748 for the countries for which these patents are granted, against payment of a periodic penalty payment;
- b) to condemn Postech c.s., each individually, against payment of a periodic penalty payment:
  - to report in writing to the holders of the seized CD-Rs the address where the relevant CD-Rs must be delivered,
  - to make sure that the relevant CD-Rs are destroyed within one week after submission;
  - to submit within 15 days thereafter a written certificate from the relevant destruction company showing that the destruction has actually taken place;
- c) to prohibit Postech c.s., each individually, against payment of a periodic penalty payment, to import CD-Rs that in view of the rights of Philips must be considered "goods in violation of an intellectual property right" as meant in article 1 paragraph 2 sub a of the EC Piracy Directive, in any member state or to (re-)export such goods or to place them under a suspensive arrangement or to place them in a free zone or a free warehouse or to execute any or more of the relevant actions or to be involved in these.

The Court has destroyed the appealed judgment except for the judgment concerning the costs of the proceedings and, while re-rendering justice and in summary prohibited Postech c.s., each individually, to violate the rights Philips can derive from European patent 0.397.238 in the Netherlands, against payment of a periodic penalty payment, and has denied the other or additional claims.

3.3 Parts I (with respect to the question whether the EC Piracy Directive includes competence rules), II (with respect to the question whether the Dutch judge is competent to take note of the claims against Princo Switzerland based on the (alternative) competence rule of art. 5, title and sub 3, EVEX) and III (with respect to the question whether the Dutch judge can derive competence from art. 6, title and sub 1, EVEX to take note of the claims against Princo Switzerland) are turned against the judgment of the court in rov. 4 and 5 (third and fourth paragraph) with respect to the question whether the Dutch judge is competent to take note of Philips' claims.

Based on art. 126 paragraph 3 (former) Rv the Court has deemed itself competent to take note of Philips' claims against Postech and Princo Taiwan and on the ground of art. 24 EVEX in relation to art. 126 paragraph 3 (former) Rv, the court has deemed itself competent to take note of Philips' claims against Princo Switzerland (rov 5, 5<sup>th</sup> paragraph). Now the court has not declared itself incompetent in the dictum of the order to take note of any of Philips' claims nor of any part of a claim of Philips, parts I, II and III cannot lead to cassation because of lack of importance.

3.4.1 In rov 5 (and others), the Court considers:

“The Court finds that the judge who bases his competence exclusively on article 24 EVEX/EEX Treaty (juncto article 126 paragraph 3 Rv) should not act orderingly outside of the Netherlands (see also judicial consideration 16 of the order of the Court of Justice EC of May 21 1980 C-125/79 with respect to Denilauler/Couchet Frères (NJ 1981, 184). Any cross-border violation prohibition shall hence be denied, also towards Postech and Princo, since restraint is in order in view of the summary proceedings against them.”

3.4.2 Part IV demonstrates, with respect to the claims against Princo Switzerland, that the Court could derive competence from article 2 EC Piracy Directive, art. 5, title and sub 3, EVEX and/or art. 6, title and sub 1, EVEX, implying that it has been incorrectly or at least insufficiently motivated in the judgment in rov 5 that the court must not act orderingly outside the Netherlands and hence a border-crossing violation prohibition must be denied. This point of view is based on an erroneous interpretation of the order, since the court has not deemed itself incompetent to take not of Philips’ claims against Princo Switzerland yet denies the claims aiming at a cross-border violation prohibition because of opportunity reasons. That is also demonstrated by the reference to rov. 16 of the order of the HvJEG of May 21 1980 (Denilauler/Couchet Frères), which says:

“There is no doubt that the local judge or at least the judge of the treaty state in which the assets to which the required measures apply are located is most capable of judging the circumstances based on which the requested measures must be granted or denied or which conditions and modalities must be determined for the petitioner to guarantee the temporary and conservatory character of the allowed measures”, with which reference the court apparently intended to express that it is not capable in these summary proceedings to judge whether the circumstances outside of the Netherlands can justify the allocation of the requested cross-border measures against Princo Switzerland.

3.4.3. For the claims against Postech and Princo Taiwan, part IV opposes with a motivation complaint the judgment of the court that the cross-border violation prohibition against these companies must also be denied “since restraint is in order in view of these short proceedings against them”.

When treating this part, we must indicate that, if the Dutch judge is competent on grounds of a rule of (common) international competency law to take not of a claim with respect to the violation of an intellectual property right obtained under foreign law, he can, in principle and when ordered, prohibit actions abroad. That also applies to short proceedings, without regards to the grounds on which the Dutch judge has based his international competence (see rov. 4.2.4 of HR November 24, 1989, n° 13689, NJ 1992, 404 (hereinafter: Interlas order) and rov. 5 of HR February 21, 1992 n° 14454 NJ 1993, 164 (Barbie)).

Considered against this background, the judgment of the Court that in this case no cross-border violation prohibition can be granted against Postech and Princo Taiwan is insufficiently motivated.

As far as the court may have judged that in this case we have the exception as meant in the aforementioned Interlas order (“Unless the law, the nature of the obligation or a judicial action show differently, he who is obliged to give, do or not do something vis-à-vis someone else is ordered to do so by the judge upon request of the proprietor”), it is not clear without

further motivation, quod non, on which grounds and why the court has ruled that in these summary proceedings the main rule must be discarded and restraint is in place.

As far as the court may have judged that this restraint is in order on the grounds of the order, as quoted by the court, of HvJEG of May 21, 1980 (Denilauler/Couchet Frères), the court has lost sight of the fact that the indication given in that order to practice restraint when taking cross-border temporary or conservatory measures does not apply to Postech and Princo Taiwan, since these companies are not established on the territory of a state that is party to the EEX Treaty or the EVEX, so the arrangements of the EEX treaty or the EVEX do not apply to these companies.

As far as the court may have judged that the indication of the aforementioned order of HvJEG must be considered equally applicable to cases outside the formal scope of the EEX treaty or EVEX, that judgment is incorrect. There is no ground to accept a restriction as meant in the HvJEG order in the Denilauler/Couchet Frères case for these cases.

3.5.1 In rov. 22, the court judges that the claim mentioned in 3.2 sub c) is not attributable.

Part V disputes this judgment as being incorrect and incomprehensible because the circumstance that the EC Piracy Directive does not give general rules with respect to the competence of the judge, does not mean that the court in this case is not competent to take note of the present claim. Because of a lack of factual grounds, this claim cannot lead to cassation since the court has deemed itself competent for all Philips' claims, including the claim sub c).

3.5.2 As far as the part is aimed against rov. 5, third paragraph, final sentence but one, where the court considers with respect to the question whether the prohibition of art. 2 of the EC Piracy Directive is not aimed at the member states and requires further arrangement, it fails for lack of importance because this consideration by the court is superfluous.

3.5.3.1 In addition, the part is aimed against the part of rov. 5:

“For a violation of the prohibition included in article 2 of the Directive, as far as relevant here, it is required that the goods violate a patent in accordance with the legislation of the member state where the request for customs actions is filed (in casu Dutch legislation). Nor the State Patent Act of 1995 nor the State Patent Act (1910) determine that it is a violation of the rights of the patent holder when transit goods are re-exported.”

3.5.3.2 Art. 6 paragraph 2, title and sub B, of the EC Piracy Directive determines that the goods that are in the Netherlands “in a situation as meant in article 1 paragraph 1 sub a)” upon the assessment of the violation issue by way of fiction must be considered goods that have been manufactured in the Netherlands. The opinion of the court that the State Patent Act of 1995 nor the State Patent Act (1910) determine that the re-exportation of transit goods is a violation of the rights of the patent holder is hence not decisive for the violation issue. Decisive is whether, in the assumption that the goods have been manufactured in the Netherlands, the rights of the patent holder are violated. The complaint aimed against said judgment is hence effective.

3.6.1 In Rov. 22, third paragraph, the court has ordered that in view of the considerations made sub 4 and 5, it shall not impose a prohibition that is valid outside the Netherlands. “In

addition, in view of the opposition by Postech c.s. Philips has not demonstrated that it has a Belgian respectively Swiss part of the European “238” patent in Belgium and/or Switzerland that complies with the requirements for registration in those countries or that is valid in law.”

3.6.2 As far as part VI says it is not clear which considerations in rov. 4 and 5 the court aims at in the quoted consideration, for lack of factual grounds it cannot lead to cassation because the court apparently aims at the conclusion of rov. 4 and 5, i.e. the judgment with respect to the restraint the court finds necessary during these summary proceedings when imposing a cross-border violation prohibition.

As far as this part builds on the previous part, it needs not to be discussed any further and shall be treated in the same way as these other parts.

3.6.3 Finally, the judgment complains that the judgment of the court in rov. 22 that in view of the opposition by Postech c.s. Philips did not demonstrate that it has a Belgian respectively Swiss part of the European “238” patent in Belgium and/or Switzerland that complies with the requirements for registration in these countries and that is legally valid is incorrect or at least insufficiently clear, is motivated.

The president has prohibited any further violation of the rights Philips derives from e.g. the European “238” patent for all countries in which the patent is valid, without making an exception for Belgium and Switzerland, the countries which are according to Philips part of the countries for which the patent is valid. The documents of the proceedings do not allow any other conclusion than that Postech c.s. did not oppose clearly enough the –implicit- judgment of the president that said patent is also valid for Belgium and Switzerland. The claim is hence successful since the court was bound by that judgment.

3.7.1 In rov. 22, fourth paragraph the court has judged that, in view of Philips’ interests in the allocation of its additional claims (mentioned in 3.2 sub b)) on the one hand and the interest of Postech c.s. in the denial of these far-stretching claims on the other hand, these claims shall be denied. “In addition, the court has taken into account that Postech c.s. have shown during the proceedings that they are prepared to deliver a guarantee for the damages of Philips and that Philips did not look into this at all.”

3.7.2 The CD-r’s which are the object of the proceedings are, now that the court has deemed it acceptable that one of Philips’ patent rights, the “238” patent, was endangered, “goods that violate an intellectual property right” as meant in art. 1 paragraph 2 sub a of the EC Piracy Directive. In view of art. 8 paragraph 1 of the directive and consideration 11 of its considerations, it is aimed at the destruction of such goods without any damages. In view of these facts, it is incomprehensible why the court has ruled, without any further motivation, that the interest of Postech c.s. in case of a denial of the claims of Philips is more important than Philips’ interests in an allocation thereof and that destruction is a too drastic measure. Part VII, complaining about this fact, is hence effective.

#### 4. Decision

The Supreme Court of Justice:

    cancels the order of the Court of Justice in ‘s-Gravenhage of October 1, 2001;  
    refers the procedures to that court for further treatment and decision;

condemns Postech c.s. to the costs of the cassation procedures, up until this order estimated for the side of Philips at € 404,53 in advances and € 1.590,- in fees.

This order is given by Vice President P. Neleman as president and counsel A.M.J. van Buchem-Spapens, A. Hammerstein, P.C. Kop and F.B. Bakels and was rendered in public by counsel A. Hammerstein on March 19, 2004.

[Signatures]

For counterpart original, issued by me, Registrar of the Supreme Court of the Netherlands, on March 19 2004 for the plaintiff in cassation.

[signed]