

Q292 - Unjustified allegations

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Questions

I) Current law and practice

Please answer all questions in Part I on the basis of your Group's current law. You may differentiate your answers based on different IP rights if applicable under your Group's current law.

- 1) Does your current law draw a distinction between justified and unjustified allegations of infringement of IP rights? Please answer YES or NO and add a brief explanation.

YES, under circumstances (which will be explained below) the Dutch IP courts have accepted that an allegation of infringement – whether by way of legal proceedings or otherwise (such as a cease and desist letter) – may constitute a tort.

If you answered YES to question 1) above, please continue answering to questions 2)-5) below. If you answered NO to question 1) above, please move to section II below.

- 2) What are the criteria for communications to be considered as an unjustified allegation of infringement under your current law?

In general, in the Netherlands a justification for communications that may harm a competitor (such as a cease and desist letter to a competitor or its purchasers or customers) may exist in it being a fair warning for (alleged) violation of rights. In general, Dutch court practice fully accepts these actions as belonging to the rights of an IP rights holder, under the reasoning that anyone should be free to invoke rights which he believes belong to him (or he has right thereto) against third parties infringing that right. However, asserting IP rights in this way (referred to in Dutch as “wapperen”) is not lawful under all circumstances.

Whether the aforementioned actions against competitors may be deemed acceptable or unlawful depends not necessarily on whether what is stated by the party enforcing an IP right is “true” – after all, that often only becomes apparent at a later stage, for example when the court has rendered a decision on validity and/or infringement – but rather on whether the sender of the communication can be held accountable for such action because he can be said to have acted in violation of applicable standards of care and/or the communication was made in

an unnecessarily biased or aggressive form.

Subjective good faith on the side of the party alleging infringement is not sufficient to find lack of tort in such cases.¹ The rationale behind this limitation to the right to invoke an IP right, is that if the rightsholder is (clearly) acting or should at least have known that he was clearly acting against his better knowledge/judgment, he should have known better and therefore should not be allowed to proceed with enforcement nonetheless.² This could be the case in the following circumstances:

- 1. When the IP owner making the allegation knows or should know that there is (evidently) no infringement³;*
- 2. When the IP right invoked does not exist. For instance, the District Court of The Hague considered it negligent and thus unlawful to inform purchasers of products of an opposing party that, on the basis of a patent application, they were not allowed to market the product.⁴*
- 3. When there is a serious, non-neglectable chance that the IP right will not be upheld in nullity proceedings or that it will be revoked in opposition proceedings;⁵*
- 4. When the sender of the communication knows or should know that he does not have the right to invoke an IP right due to not being the rightsholder of the IP right.*

In such circumstances as mentioned above (where there is essentially a lack of good faith on the part of the sender of the communication),⁶ alleging infringement of IP rights may constitute an unlawful act (in Dutch: ‘onrechtmatige daad’) within the meaning of article 6:162 of the Dutch Civil Code. Some scholars have argued that the requirement of good faith is applied more stringently in cases of alleged copyright infringement (as opposed to alleged patent infringement), due to the lack of registration requirements.⁷ In other words, according to them IP rights holders should be expected to act more diligently in the enforcement of their right if the whereabouts of that right are not clearly and unambiguously derivable for third parties from public registers.

¹ See among other things, Dutch Supreme Court 6 April 1962 (*Drefvelin/Wientjes*) and Dutch Supreme Court 29 September 2006, ECLI:NL:HR:2006:AU6098 (*CFS Bakel/Stork*).

² District Court The Hague, 3 October 2014, ECLI:NL:RBDHA:2014:12937 (*Mooreast Asia v Vryhof*), referring to Dutch Supreme Court 29 September 2006, ECLI:NL:HR:2006:AU6098 (*CFS Bakel/Stork*).

³ District Court The Hague, 25 August 2005, ECLI:NL:RBSGR:2003:AT1837 (*Plumtree Software/Werner Linssen*).

⁴ District Court The Hague, 15 September 2017, ECLI:NL:RBDHA:2017:10588 (*Toi-Toys/Tinnus*).

⁵ Dutch Supreme Court 29 September 2006, ECLI:NL:HR:2006:AU6098 (*CFS Bakel/Stork*), District Court The Hague 22 July 2009, ECLI:NL:RBSGR:2009:BL081 (*Agfa/Chengdu Xingraphics*).

⁶ In principle, the “good faith” requirement applies to all communications, regardless of the type of IP right that is invoked (whether registered or unregistered). Spoor/Verkade/Visser, *Auteursrecht*, p. 649.

⁷ Spoor/Verkade/Visser, *Auteursrecht*, p. 649.

*In addition, sending warning letters to a direct competitor is generally considered less likely to constitute an unlawful act, than sending warning letters to the customers of such competitor. The reason is that a direct competitor is considered more capable of making an astute analysis on whether the infringement alleged in the warning letter is tenable. To a certain extent this of course also applies to his (business) customers, but they will generally be more inclined to avoid conflicts and switch to another producer. Even if the supplier reassures such customers with guarantees, depending on the market conditions, they will soon make the decision to source their products from another (less conflict-prone) supplier. **The income loss suffered by the supplier cannot thereafter be easily undone, even if the pretence made in the warning letter later turns out to be false.***

Finally, it might be worth mentioning that an IP rightsholder that obtains a condemning verdict in first instance (an injunction to infringe his IP right), is liable for damages resulting from enforcement of such verdict (including forfeited penalty sums) when this verdict is annulled in appeal or cassation proceedings (i.e. the injunction is found without ground and thus annulled).

- 3) What kind of communications and by whom are considered as allegations of infringements of IP rights under your current law? E.g., *inter partes* correspondence, mass communications, communications by advisers, etc.

Generally, in the Netherlands, a court will assess this looking at the specific circumstances of each case. This means that, if it is sufficiently substantiated that serious harm is incurred by a certain allegation/communication made in a certain way and provided that such communication adheres to the criteria as set out under question 1)2)-(1-4), any form in which an allegation takes place can be found to constitute a tort and the maker of such allegations can be held accountable for the damages incurred.

In practice, when it comes to enforcement outside of court, Dutch case law has focused mostly on cease and desist letters in the widest sense of the word. That is to say, both a letter sent by a party itself or through its lawyer may constitute a tort, both a personalized letter or a more generally addressed letter “to whom it may concern⁸” may constitute a tort, and both a letter addressed directly to the alleged infringer and/or to its customers (in which the name of the alleged offeror of a product or method may or may not be mentioned) may constitute a tort. Ultimately the question if a certain action constitutes a tort is decided on a case-by-case basis and therefore will strongly depend on the circumstances of that case.

- 4) Under your current law, does the doctrine concerning unjustified allegations apply to all kinds of allegedly infringing activities alike? Please answer YES or NO and add a brief explanation.

YES. As also follows from the above, an allegation of IP infringement that is

⁸ District Court The Hague, 3 October 2014, ECLI:NL:RBDHA:2014:12937 (*Mooreast Asia v Vryhof*).

unjustified may qualify as an unlawful act within the meaning of article 6:162 of the Dutch Civil Code. This article covers, amongst other things, all unjustified allegations of infringement, regardless of the specific type of IP right that is invoked by the sender of the communication. Dutch courts have not made a distinction between various allegedly infringing acts against which an IP right is invoked. Instead, each case is decided upon looking at all relevant circumstances of that case.

5) What kind of remedies are available under your current law to the party who has been subject to such unjustified allegations of infringement:

a. Damages? Please answer YES or NO and add a brief explanation.

YES. For any action that is found to constitute a tort, a party may be ordered by a court to compensate the damages inflicted by the unlawful actions. As noted above, unlawfully invoking an IP right is no exception to this rule.

b. Injunctions against such allegations? Please answer YES or NO and add a brief explanation.

YES. In the Netherlands a party may obtain an injunction accompanied by penalty sums (due in case of violation of the injunction) against the action of enforcement of IP rights in a manner outside court (such as sending warning letters). For obvious reasons, these requests for an injunction are often aimed at preventing a party from sending warning letters to customers of an allegedly infringing party. An injunction can be as wide as prohibiting a defendant from publicly commenting on the claimant or its products in a way that harms such claimant.⁹

c. Declarations that such allegations are unjustified? Please answer YES or NO and add a brief explanation.

A declaratory judgment, for instance that a party has not infringed an IP right (in Dutch: 'verklaring van niet-inbreuk'), may be issued by the court. We have not encountered declaratory judgments confirming that allegations of IP infringement were false. This may be because in the Netherlands most court judgments, therefore also the ones containing a declaratory judgment on the lack of infringement itself, are public and may thus be shown to third parties such as customers to substantiate that the allegations of the party invoking IP rights were, in some form or another, false.

d. Fines or punitive damages? Please answer YES or NO and add a brief explanation.

An action based on tort is a civil action for which no fine system applies in

⁹ District Court Overijssel, 26 July 2023, ECLI:NL:RBOVE:2023:2974 (G&G/Luxury Bedding).

the Netherlands (only damage compensation) so NO. Furthermore, in the Netherlands, no punitive damages apply so NO. However, it is possible to claim a penalty (in Dutch: 'dwangsom', e.g., per day and with a maximum) to enforce that the counterparty refrains from certain conduct (the penalty being due if a court imposed injunction is violated).

- e. Other remedies? Please answer YES or NO and add a brief explanation.

YES, examples from Dutch case law for other remedies include an order to the IP-rightsholder to rectify a warning letter sent to customers and an order to provide a list of companies to which a warning letter was sent.

Of interest to note is that the cost compensation laid down in article 14 Directive 2004/48/EC also applies for cases involving unlawful enforcement. Therefore article 1019h of the Dutch Code of Civil Procedure (in Dutch: 'Burgerlijke Rechtsvordering' or 'Rv') according to which the unsuccessful party in the proceedings is ordered to pay the reasonable and proportionate court costs and other legal costs incurred by the successful party unless this is precluded by fairness ('billijkheid'), also applies in these cases.

II) Policy considerations and proposals for improvements of your Group's current law

Please answer the questions of this Part II below. You may differentiate your answers based on different IP rights if appropriate and/or desirable in your view.

- 6) According to the opinion of your Group, is your current law regarding the boundaries for the legitimate exercise of an IP right holder's rights adequate and/or sufficient? Please answer YES or NO and please explain your chosen view briefly.

YES, in principle we are of the opinion that the current law regarding the boundaries of the legitimate exercise of an IP right holder's right is sufficient.

The position of the party who receives an unjustified allegation of an infringement of IP rights could be improved. Such a party will often be confronted with the need to incur costs for legal representation to find out – after research by a lawyer – that an allegation of the infringement is unjustified. Under specific conditions the party who sent an unjustified allegation is liable for damages resulting from the unjustified allegation (see answers under Part I). If the IP right holder does not proceed with civil action (enabling a counterclaim) the other party in practice has little incentive to initiate civil action on its own initiative to obtain compensation of any damages suffered (including attorney fees) if the costs of civil action do not outweigh the damages that could be recuperated. In situations where the warning party negligently or with intent puts forward an unjustified allegation, it could be considered to award full compensation of attorney fees to the party confronted with negligent or intentional unlawful allegations. This however should only be reserved

for exceptional cases where misleading information is provided or essential information omitted in an unjustified allegation and/or where there is a known or a clear deficiency in the substantive right that is the basis for the warning. This might also have a deterrent effect to send such clearly unjustified allegations.

- 7) According to the opinion of your Group, what is the policy rationale for restricting the making of unjustified allegations of infringement of IP rights?

We consider the policy rationale for restricting the making of unjustified allegations of infringement of IP rights to be (a) unfair competition, more specifically (i) unfair trading practices and (ii) abuse of a rightsholder's dominant position, and (b) prevention of damages as a result of ill-founded or frivolous claims.

- 8) Is there a policy conflict between such restrictions and the availability of effective methods of enforcing IP rights, including without the need to resort to costly litigation by issuing cease and desist letters and if so how is such a conflict resolved?

From a Dutch law perspective, we do not consider there to be a policy conflict between such restrictions and the availability of effective methods of enforcing IP rights. While issuing cease and desist letters may be unlawful if the person invoking an IP right does so without merit, the (alleged) rightsholder may only be held liable if misleading information is provided or essential information omitted, or the (alleged) rightsholder knows, or should know, that there is a serious, non-negligible chance that the allegation is unjustified, e.g. because he (should) know(s) that his right will not be upheld, that there exists no infringement, that the IP right does not belong to the claimant (and he is not acting on behalf of the right holder) or that the claim suggested more than was justified. The alleged infringing party bears the burden of proving that this condition is fulfilled. Strict liability is not assumed in cases like this, and the bar for such a claim from the alleged infringing party is considered to be high.

It follows from the above that a right holder is unlikely to be restricted in enforcing his IP rights, as long as a sufficient assessment has been undertaken of whether there is a serious, non-negligible chance that his threat is meritless before an enforcement action is initiated. The circumstance that a right holder remains exposed to this (limited) form of liability, should in our opinion however lead to claims that are better researched in advance, and are subsequently likely to be substantiated in a proper manner to limit the liability risk as much as possible. This is in our opinion encouraged, as it should result in less ill-founded and frivolous claims.

- 9) Is it better, from a policy perspective, to judge whether an allegation was unjustified based on (a) an objective hindsight-based view on whether the IP right in question was valid and being infringed at the time notifications were made, or (b) the reasonable subjective belief of the IP right holder.

We consider it preferable from a policy perspective to judge whether an allegation is unjustified based on the reasonable subjective belief of the IP right holder, which

is in line with Dutch law. The existence or scope of IP rights is not always clear cut, even if it concerns registered rights, and may be assessed differently by different people (judges even), as evidenced by the substantial amount of case law where an infringement was assessed differently in appeal compared to the first instance. Objective circumstances may however play a role in assessing the subjective belief of the right holder, e.g. was essential information withheld or misleading information presented, did a court or other authority consider the right to be (in)valid, was the right subjected to validity examination prior to registration, etc.

We feel that an objective hindsight-based view may restrict IP right holders too much. In that case, even if the chance that the right in question will not be upheld is slim, the right holder is still exposed to a substantial degree of liability.

- 10) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

NO.

III) Proposals for harmonisation

Please answer the questions of this Part III below. You may differentiate your answers based on different IP rights if appropriate and/or desirable in your view.

- 11) Do you consider harmonisation regarding unjustified allegations of IP infringement and their consequences as desirable in general? *Please answer YES or NO and add a brief explanation.*

YES, as allegations of IP infringement will have an effect in multiple jurisdictions due to the globalized economy.

If your answer to question 11) was YES, please respond to the following questions without regard to your Group's current law or practice. Even if you answered NO to question 11), please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

- 12) In what kind of circumstances should an allegation of IP infringement be considered as "unjustified" so as to be considered abusive? *Please add a brief explanation.*

If the rightsholder is (clearly) acting or should at least have known that he was clearly acting against his better knowledge/judgment, he should have known better and therefore should not be allowed to proceed with enforcement nonetheless. This could be the case in the following circumstances:

- *When the IP owner making the allegation knows or should know that there is (evidently) no infringement;*
- *When the IP right invoked still is a patent application i.e., not yet granted;*
- *When there is a serious, non-neglectable chance that the IP right will not be*

upheld in nullity proceedings or that it will be revoked in opposition proceedings;

- *When the sender of the communication knows or should know that he does not have the right to invoke an IP right due to not being the rightsholder of the IP right.*

13) As continuation to question 12) above, in more specific, should any of the following be categorically considered as unjustified (abusive) allegations:

Making an allegation of infringement which later is proved incorrect, e.g. because a court determines that the IP right in question was not infringed or was invalid, regardless of the knowledge of the parties?

NO, as an allegation should not become unjustified retroactively. However, compensation can be requested on the basis of art. 1019g of the Dutch Code of Civil Procedure (in Dutch “Burgerlijke Rechtsvordering” or “Rv”).

Making an allegation of infringement while having actual knowledge of validity-destroying circumstances? *Please answer YES or NO and add a brief explanation.*

YES, provided that the person or legal entity actually making the allegation has this knowledge.

Making an allegation of infringement while the person making the allegation should have known (constructive knowledge) of validity-destroying circumstances? *Please answer YES or NO and add a brief explanation.*

YES, provided that the person or legal entity actually making the allegation should have this knowledge.

Are there other situations in which alleging IP infringement when having concerns about the validity of the IP right in question should be considered unjustified so as to be abusive? *Please answer YES or NO and add a brief explanation.*

YES, such as in case (in)validity was already assessed during opposition or invalidity proceedings in other jurisdictions.

Making an allegation of infringement before the IP right has been granted? *Please answer YES or NO and add a brief explanation.*

YES (subject to the following), as neither the alleging nor the (allegedly) infringing company can assess the valid scope of an application with reasonable certainty. However, it would be justified to notify an alleged infringer that a product or actions are considered to be within the scope of an IP application (and note the reasonable compensation that may be due under circumstances).

Making an allegation of infringement while having actual knowledge of circumstances leading to non-infringement? *Please answer YES or NO and add a brief explanation.*

YES, as this would mean that the alleging party actually is acting against his better judgment. However, it would be important to qualify the circumstances of non-infringement such as whether it means that the alleged infringement clearly fails to achieve the claimed technical effect.

Making an allegation of infringement when one knew or should have known (actual or constructive knowledge) that the likelihood of the infringement claim succeeding is low? *Please answer YES or NO and add a brief explanation.*

Distinction should be made between a direct competitor and customers of such competitor.

For direct competitors: NO, unless the low chance of success means that the party making the allegation acts against better knowledge or judgment.

For customers of direct competitors: YES, provided that the low chance of success makes that the party making the allegation acts against better knowledge or judgment.

Making an allegation of infringement in public or commencing formal proceedings (e.g., seeking injunctions) when settlement negotiations or other resolution processes (e.g., license fee determinations) are on-going? *Please answer YES or NO and add a brief explanation.*

NO, as settlement negotiations and resolution processes do not necessarily result in agreement actually being reached. However, agreement negotiations can lead to certain obligations, while the negotiations are ongoing, such as acting in good faith.

Are there other specific scenarios or circumstances that in your Group's view should categorically result in an allegation of infringement being considered unjustified? *Please answer YES or NO and add a brief explanation.*

Further circumstances suggesting abuse could be contradictory or unspecific allegations of infringement.

14) Should the (a) motivation or (b) knowledge of the alleging party play a role in assessing whether an allegation is unjustified so as to be considered abusive? *Please answer YES or NO and add a brief explanation.*

YES, although motivation will be difficult to prove. It is difficult to give a general rule for this; the circumstances will be important.

The knowledge on the (b1) validity of the IP rights in question and (b2) the allegedly infringing actions of the (alleged) infringer are to be taken into account.

15) What kind of communications should be considered as allegations of IP infringement: Should *only* proceedings formally commenced before a court or other authority be considered as allegations of infringement? *Please answer YES or NO and add a brief explanation.*

NO, any communication regarding alleged infringement prior to commencement of court proceedings may be considered as allegations of IP infringement as especially customers of an (alleged) infringer will be sensitive to any indication that court proceedings may be initiated.

— If you answered NO to (a) above: Apart from formal proceedings, should only communications with an express threat of formal proceedings be considered as allegations of infringement? *Please answer YES or NO and add a brief explanation.*

NO, see above.

— If you answered NO to (i) above, what other kinds of communications should be considered as allegations of infringement?

- *Any indication to customers of the (alleged) infringer that court proceedings may be initiated, and*
- *Any indication to the (alleged) infringer that court proceedings will be initiated*

16) Should only allegations of infringement by the IP right holder itself be considered? *Please answer YES or NO and add a brief explanation. In particular, if you answered NO, please specify whose allegations should be considered (e.g., allegations by a non-exclusive licensee, an exclusive licensee, group companies, attorneys and other advisors, third parties, etc.).*

NO, any allegation by a party acting by or on behalf of the IP right holder or their licensee(s) should be taken into account

17) If an allegation of infringement of IP right is determined to have been unjustified so as to be abusive, what should be the consequences of unjustified allegations of infringement of IP rights: Should damages be available to the party having been alleged to infringe the IP right? *Please answer YES or NO and add a brief explanation.*

YES, such party is to be ordered to compensate the damages inflicted by the unlawful actions as it is an act of tort.

Should declaratory judgments that such allegations are unjustified be available to the party having been alleged to infringe the IP right? *Please answer YES or NO and add a brief explanation.*

YES. This will be self-evident.

Should injunctions against such unjustified allegations be available to the party having been alleged to infringe the IP right? *Please answer YES or NO and add a brief explanation.*



YES, injunctions should be available.

Should fines or punitive damages be ordered against the party making the allegation? *Please answer YES or NO and add a brief explanation.*

An action based on tort is a civil action for which no fine system applies in the Netherlands (only damage compensation), nor do we think it should, so NO. Furthermore, in the Netherlands, no punitive damages apply and again we also do not think it should, so NO. However, it should be possible to claim a penalty (in Dutch: 'dwangsom', e.g., per day and with a maximum, due if a court imposed injunction is violated) to enforce that the counterparty refrains from certain conduct.

Other than the consequences referred to in a-d above, should there be other types of consequences? *Please answer YES or NO and add a brief explanation.*

YES, for example:

*- An order to the IP rightsholder to rectify a warning letter sent to customers and an order to provide a list of companies to which a warning letter was sent, and
- the unsuccessful party in the proceedings to be ordered to pay the reasonable and proportionate court costs and other legal costs incurred by the successful party unless this is precluded by fairness.*

18) Who should bear the burden of proof of the unjustified/justified nature of the allegation of infringement?

The (allegedly) infringing party has to bear the burden of proof that the allegations were unjustified.

19) Please comment on any additional issues concerning any aspect of unjustified allegations that you consider relevant to this Study Question.

Aspects which can contribute to making an allegation unjustified is
- a low probability of infringement while a large number of allegations is made;
and
- when the sender of the communication threatens alleged secondary infringers (suppliers, customers, or end users) with litigation while not pursuing litigation against the primary infringer without good reason not to pursue such primary infringer. This is equally so in respect of communication to suppliers, customers, or end users where this may harm the reputation of the alleged primary infringer, or misrepresents the outcome of legal proceedings that have not yet become final.

20) Please indicate which industry sector views provided by in-house counsels are included in your Group's answers to Part III.



The questionnaire and its answers have been shared with representatives from large and small/medium sized companies.