

## ANTI-SUIT INJUNCTIONS AND GEOPOLITICS IN TRANSNATIONAL SEPs LITIGATION

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*Anti-suit injunctions have recently emerged as a phenomenon significantly affecting the dynamics of standard essential patent (SEP) litigation. The role played by these patents in the Internet of Things scenario and the willingness of national courts to set themselves up as global licensing tribunals have spurred a race to the courthouse, incentivising forum shopping and the adoption of countermeasures such as anti-anti suit injunctions and anti-anti-anti suit injunctions. The implications of these litigation strategies have become a matter of geopolitics, as countries fear that the intellectual property rights of their companies may be devalued by foreign courts to promote domestic economic interests. Against this backdrop, this paper aims to provide a comparative overview of SEP disputes in which these injunctions have been issued or claimed and to identify some policy recommendations to curb the frictions affecting SEP licensing.*

**Keywords:** standard essential patents; litigation; FRAND licensing; anti-suit injunctions

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### I. INTRODUCTION

In recent decades, few topics have captured the attention of scholars, courts and policymakers as much as standardisation. Technology standards, in particular the processes through which they are developed, and the protection of related patent rights have constantly fuelled the debate by providing new issues and additional layers of complexity. Indeed, standards are apparently one of the most important and, at the same time, fragile pillars of the modern global tech-economy.

Firms taking part in a standardisation initiative are required to license their standard essential patents (SEPs) on fair, reasonable and non-discriminatory (FRAND) terms. The FRAND commitment aims to avoid or reduce the risk of holdup, that is, the *ex post* opportunism of SEP holders who exploit monopoly pricing by making these patents available at a price equivalent to what they would have been worth in the market prior to the time they were declared essential. However, both the economic rationale underlying FRAND commitments and their effectiveness in preventing the risk of

holdup have been severely questioned, mainly because of the unclear meaning of the FRAND acronym.<sup>1</sup> Indeed, there are no generally agreed-upon tests to determine whether a particular license satisfies a FRAND commitment, and there is also no consensus on its legal effects, particularly whether FRAND commitments should imply a waiver of the general law of remedies.

Because of this uncertainty, parties have regularly failed to reach agreement on FRAND outcomes; hence a spate of cross-border litigation has arisen, often leading to inconsistent and conflicting rulings. However, some courts have claimed the authority to set global FRAND rates, thereby setting themselves up as global licensing tribunals determining the terms of worldwide FRAND licenses in the context of national proceedings. As a consequence, parties have been incentivised to litigate rather than to find negotiated solutions – and to look for the most convenient jurisdiction. Therefore, concerns have been raised about the risks related to a 'race to the courthouse' among litigants and a 'race to the bottom' among jurisdictions.<sup>2</sup> Indeed, in setting global licensing terms courts may be interested in making themselves attractive venues for specific types of litigants (SEP holders rather

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<sup>1</sup> See eg Gregor Langus, Vilen Lipatov, and Damien Neven, 'Standard-Essential Patents: Who Is Really Holding Up (And When)?' (2013) 9 *Journal of Competition Law & Economics* 253; Anne Layne-Farrar, 'Patent Holdup and Royalty Stacking Theory and Evidence: Where Do We Stand After 15 Years of History?' (2014) OECD Doc DAF/COMP/WD(2014)17/REV1 <[https://one.oecd.org/document/DAF/COMP/WD\(2014\)17/REV1/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2014)17/REV1/en/pdf)> accessed 15 December 2021; J Gregory Sidak, 'The Antitrust Division's Devaluation of Standard-Essential Patents' (2015) 104 *Georgetown Law Journal* 48; Damien Geradin, 'Moving Away from High-Level Theories: A Market-Driven Analysis of FRAND in the Context of Standardization' (2014) 59 *The Antitrust Bulletin* 327; Alexander Galetovic and Stephen Haber, 'The Fallacies of Patent-Holdup Theory' (2017) 13 *Journal of Competition Law & Economics* 1.

<sup>2</sup> Jorge L Contreras, 'The New Extraterritoriality: FRAND Royalties, Anti-Suit Injunctions and the Global Race to the Bottom in Disputes over Standards-Essential Patents' (2019) 25 *Boston University Journal of Science & Technology Law* 251; Damien Geradin and Dimitrios Katsifis, 'The Use and Abuse of Anti-Suit Injunctions in SEP Litigation: Is There a Way Forward?' (2021) <<https://ssrn.com/abstract=3807899>> accessed 5 November 2021.

than implementers), while parties are encouraged to bring suits in favourable jurisdictions as quickly as possible in order to exploit the advantages of being the first to strike.<sup>3</sup>

As part of these forum shopping strategies, litigants are also increasingly eager to request (and courts appear prone to issue) anti-suit injunctions (ASIs), that is, orders restraining a party from pursuing foreign proceedings or enforcing a judgment obtained in foreign proceedings. ASIs may bring benefits by containing litigation costs and reducing the likelihood of inconsistent results across jurisdictions.<sup>4</sup> However, rather than ending the game, the issuance of an ASI has resulted in a new form of unwelcome competition, with litigants and courts devising anti-anti suit injunctions (AASIs), which block a party from seeking or enforcing an ASI, anti-anti-anti suit injunctions (AAASIs), which prevent a party from obtaining an AASI to block another party from requesting or enforcing an ASI, and so on and so forth.

Although ASIs have existed in the context of transnational litigation since fifteenth-century England, SEP disputes have brought them into a new dimension. The present phenomenon reflects the global reach of markets for technology and the growing importance of SEPs as building blocks in the modern global economy, but also appears a natural fruit of the poison tree of FRAND determination. Furthermore, as the rise of the Internet of Things (IoT) and the evolution of many industries hinge on advanced mobile telecommunication standards (4G and 5G) to ensure interoperability and technical compatibility, SEP licensing has become a matter of geopolitics. Moreover, innovation in emerging technologies is crucially important to national security. For all these reasons, countries may have policy interests in preventing their companies' intellectual property rights from being

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<sup>3</sup> Contreras, 'The New Extraterritoriality' (n 2) 289-90.

<sup>4</sup> Jorge L Contreras and Michael A Eixenberger, 'The Anti-Suit Injunction - A Transnational Remedy for Multi-Jurisdictional SEP Litigation' in Jorge L Contreras (ed), *The Cambridge Handbook of Technical Standardization Law: Competition, Antitrust, and Patent Law* (CUP 2018) 451.

adjudicated in foreign courts. Since the smooth implementation of mobile telecommunication standards is crucial to the economic potential of the IoT and United States (US) and European companies hold a significant amount of SEPs for these technologies, policymakers are worried that ASIs may represent a new and dangerous unfair practice adopted by Chinese companies, with the support of Chinese courts and authorities, to promote domestic economic interests and undervalue foreign patents by setting significantly lower FRAND rates.<sup>5</sup> Indeed, the European Union (EU) has recently filed a case against China at the World Trade Organization (WTO) for restricting EU companies from going to foreign courts to protect their SEPs.<sup>6</sup> In the US, a specific bill (the Defending American Courts Act) has been introduced in the Senate Judiciary Committee that would penalize parties seeking to assert foreign ASIs to restrict an action for patent infringement before a US court or the International Trade Commission.<sup>7</sup>

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<sup>5</sup> See Commission, 'Report on the protection and enforcement of intellectual property rights in third countries' SWD (2021) 97 final, 19; Office of the US Trade Representative, '2021 Special 301 Report', (2021) 47-48 <[https://ustr.gov/sites/default/files/files/reports/2021/2021%20Special%20301%20Report%20\(final\).pdf](https://ustr.gov/sites/default/files/files/reports/2021/2021%20Special%20301%20Report%20(final).pdf)> accessed 5 November 2021. Finally, as part of its innovation strategy, the UK Intellectual Property Office is seeking views to understand whether the SEPs ecosystem is functioning efficiently and, among several issues, the impact of ASIs by implementers. 'Standard Essential Patents and Innovation: Call for Views' (*Intellectual Property Office*, 7 December 2021) <<https://www.gov.uk/government/consultations/standard-essential-patents-and-innovation-call-for-views/standard-essential-patents-and-innovation-call-for-views>> accessed 16 December 2021.

<sup>6</sup> 'EU Challenges China at the WTO to Defend its High-Tech Sector' (European Commission, 18 February 2022) <[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_1103](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1103)> accessed 24 February 2022. See also Request for Information Pursuant to Article 63.3 of the Trips Agreement: Communication from the European Union to China (6 July 2021) IP/C/W/682 <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/IP/C/W/682.pdf&Open=True>> accessed 5 November 2021, requesting information before the WTO and expressing concerns over China's recent ASI case law.

<sup>7</sup> S 3772, 117th Cong (2022). Pursuant to this bill, parties asserting foreign ASIs would be prohibited from challenging the asserted patents at the Patent Trial and Appeals Board and, if they are found to infringe these patents, the infringement would be presumed to

In sum, considering the significant national interests associated with standard setting, anti-suit strategies have become effective tools for countries to protect and entrench their technological, economic, and political advantages in the international political economy.<sup>8</sup> The aim of the present paper is to investigate the rationales for these litigation strategies, illustrate cases in which these orders have been granted or claimed, and formulate some policy recommendations. The work is structured as follows. Section 2 describes the scenario in which ASIs have traditionally played a role in transnational litigation and the legal standards adopted for their application. Section 3 illustrates the reasons behind the emergence and diffusion of anti-suit orders in SEP litigation and provides a comparative overview of recent cases in which these injunctions and countermeasures against them have been issued. Section 4 provides some policy recommendations to curb the frictions affecting SEP licensing. Section 5 concludes, summarizing the geopolitical relevance of SEPs litigation and the policy proposals advanced to tackle the recent judicial escalation fuelled by the issue of anti-suit orders.

## II. TRANSNATIONAL LITIGATION AND FORUM SHOPPING: THE VALUE OF COMITY

ASIs have often played a decisive role in transnational litigation. Their historical origins have been linked the rise of equity in English law and its struggle with common law courts.<sup>9</sup> This type of judicial order typically requires a party to refrain from commencing or continuing legal proceedings in a foreign court. From this standpoint, ASIs afford courts the opportunity to affect the course and significance of foreign litigation. Therefore, a similar intervention – characterised by the emergence of extra

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be wilful for the purposes of enhancing damages and the action would be deemed exceptional when determining whether to award attorney's fees.

<sup>8</sup> King Fung Tsang and Jyh-An Lee, 'The Ping-Pong Olympics in Antisuit Injunction in FRAND' (2022) 28 Michigan Technology Law Review 305.

<sup>9</sup> Trevor C Hartley, 'Comity and the Use of Anti-suit Injunctions in International Litigation' (1987) 35 The American Journal of Comparative Law 487.

territorial effects – entails a jurisdictional conflict rather than a cooperative relation.<sup>10</sup> More recently, ASIs have started to influence the dynamics of SEP litigation on a global basis. In order to understand their scope, their capacity for mischief, and the related effects in SEP transnational litigation, it is appropriate to briefly explore the concept of comity and the role it plays for judicial authorities in determining whether an anti-suit order should be granted.<sup>11</sup>

Although comity represents a defining principle of international cooperation, its notion has traditionally been difficult to describe, and it has been characterized as a complex or elusive concept.<sup>12</sup> It may perhaps be stated that it should neither be seen as a matter of absolute obligation, on the one hand, or of mere courtesy and good will, on the other. Instead, it may be interpreted as 'the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws'.<sup>13</sup> This approach, as recognised by the Organization for Economic Cooperation and Development (OECD), necessarily entails an accurate consideration of foreign countries' important interests while conducting

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<sup>10</sup> George A Bermann, 'The Use of Anti-Suit Injunctions in International Litigation' (1990) 28 *Columbia Journal of Transnational Law* 589.

<sup>11</sup> *Microsoft Corp v Motorola Inc*, 696 F3d 872 (9th Cir 2012).

<sup>12</sup> Daniel S Tan, 'Anti-Suit Injunctions and the Vexing Problem of Comity' (2004) 45 *Virginia Journal of International Law* 283; Haris Tsilikas, 'Anti-Suit Injunctions for Standard Essential Patents: The Emerging Gap in International Patent Enforcement' (2021) 16 *Journal of Intellectual Property Law and Practice* 729. See also William S Dodge, 'International Comity in American Law' (2015) 115 *Columbia Law Review* 2071, dividing the comity doctrines into three categories based on the actors to whom deference is given, describing deference to foreign lawmakers as "prescriptive" comity, deference to foreign courts as "adjudicative" comity, and deference to foreign governments as litigants as "sovereign party" comity.

<sup>13</sup> *Hilton v Guyot*, 159 US 113 (1895).

enforcement activities.<sup>14</sup> In addition, from a similar standpoint, comity reflects the broad concept of respect among co-equal sovereign nations, leading a jurisdiction to exercise a sort of unilateral self-restraint.<sup>15</sup> In sum, whatever definition is employed, comity is 'a protean concept of jurisdictional respect'.<sup>16</sup>

The sense of respect for the adjudicatory powers of other judicial authorities is undoubtedly critical in a rules-based international order.<sup>17</sup> Some commentators have further underlined the cooperative function that comity often serves, whereby it is interpreted by courts as the basis for legal doctrines promoting cooperation at the international level with the ultimate aim of aligning states' conduct, enhancing the effectiveness of their enforcement activities, and neutralising potential conflicts.<sup>18</sup> In brief, from a broader perspective, a court will usually grant comity if its default presumption is that foreign states are likely to cooperate. On the other hand, it will probably reject deference if its default presumption is that foreign states are likely to defect. In this context, as the argument goes, a refusal to recognise deference to foreign authorities' decisions may amount to defection from a cooperative strategy unless the foreign decision itself constituted defection.

Against this backdrop, FRAND-related ASIs involve important considerations of comity, which are heightened by global economic

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<sup>14</sup> See OECD, *Challenges of International Co-Operation in Competition Law Enforcement* (OECD 2014) 11, describing the expansion of the concept of comity beyond the traditional boundaries developed under public international law (so called "negative comity") to a new concept of "positive comity", whereby one country requests another jurisdiction to undertake enforcement activities in order to address anti-competitive conduct that is substantially and adversely affecting the interests of the referring country.

<sup>15</sup> Pedro Caro de Sousa, 'The Three Body Problem – Extraterritoriality, Comity and Cooperation in Competition Law' in Nuno Cunha Rodrigues (ed) *Extraterritoriality of EU Economic Law* (Springer 2021) 119.

<sup>16</sup> *Quaak v Klynveld Peat Marwick Goerdeler*, 361 F3d 11, 19 (1st Cir 2004).

<sup>17</sup> Tsilikas (n 12).

<sup>18</sup> See eg Cameron Sim, 'Choice of Law and Anti-suit Injunctions: Relocating Comity' (2013) 62 *International and Comparative Law Quarterly* 703; Christopher R Drahozal, 'Some Observations on the Economics of Comity' in Thomas Eger, Stefan Oeter and Stefan Voigt (eds), *Economic Analysis of International Law* (Mohr Siebeck 2014) 147.



interdependence. As international commerce depends to a large extent on the ability of firms to predict the consequences of their conduct in overseas markets, cooperation and judicial reciprocity among countries are strongly needed. In this regard, courts' willingness to respect ASIs issued in foreign jurisdictions supports mutual trust and helps to reduce conflicts and wasteful litigation. Indeed, comity implies a two-way relationship. After all, a legal system may expect foreign courts to abide by its ASIs only if it is willing to defer to them itself. However, as FRAND disputes will show, 'comity, like beauty, sometimes is in the eye of the beholder'.<sup>19</sup>

Although the US is among the jurisdictions where courts have sometimes issued ASIs (ie 'stays' of litigation) in the context of different transnational disputes, this does not mean that US courts have traditionally been willing to grant such an extra-territorial remedy in order to prevent parties from beginning or continuing proceedings before foreign tribunals. Instead, as Strong has noted,<sup>20</sup> ASIs in the US should be understood as extraordinary remedies, particularly in the light of the established ('first to judgment') principle that 'parallel proceedings on the same *in personam* claim should ordinarily be allowed to proceed simultaneously, at least until judgment is reached in one, which can be pled as *res judicata* in the other'.<sup>21</sup> This approach is supposed to avoid first-to-file strategies and the resulting 'race to the courthouse'.

As for the scope and conditions for granting ASIs, it is first worth clarifying that both suits may in theory be pending before US courts, although in practice an ASI request will more likely be linked to parallel proceedings in a foreign country. Strong has described the legal standard as ambiguous and fragmented.<sup>22</sup> A number of elements seem to be necessary for the grant of

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<sup>19</sup> *Quaak* (n 16) 19.

<sup>20</sup> SI Strong, 'Anti-Suit Injunctions in Judicial and Arbitral Procedures in the United States' (2018) 66 *The American Journal of Comparative Law* 153.

<sup>21</sup> *Laker Airways Ltd v Sabena, Belgian World Airlines*, 731 F2d 909 (DC Cir 1984).

<sup>22</sup> Strong (n 20) 154.

an ASI.<sup>23</sup> In *Unterweser*, the Fifth Circuit set forth four factors, requiring evaluation of whether the foreign dispute would '(1) frustrate a policy of the forum issuing the injunction; (2) be vexatious or oppressive; (3) threaten the issuing court's *in rem* or *quasi in rem* jurisdiction; or (4) prejudice other equitable considerations'.<sup>24</sup> In the case where at least one of the *Unterweser* factors is present, US courts will ultimately explore whether the ASI will impact the abovementioned comity principle. More recently, in *Gallo*, the Ninth Circuit has broadened the legal standard, introducing a three-part framework.<sup>25</sup> Specifically, the Ninth Circuit granted an ASI on the basis of: (i) the identity of the parties and the nature of the issues raised in the dispute, as well as the dispositive nature of the US dispute with regard to the foreign action; (ii) the satisfaction of at least one of the *Unterweser* requirements; and (iii) the tolerability of the impact of the injunction on comity.

However, US circuit courts have developed two different approaches to granting ASIs: a conservative approach, which seems to presume that states are likely to cooperate, and a liberal approach, which instead presumes that states are likely to defect.<sup>26</sup> Under the conservative approach, ASIs should only be granted in rare cases, where an action in a foreign jurisdiction would preclude US jurisdiction or threaten a vital US policy and domestic interests outweigh international comity concerns. Supporters of the conservative approach argue that this interpretation should be preferred as a matter of policy, as it requires a judge to balance competing policy considerations and is ultimately more respectful of the fundamental principle of international comity because it recognises a rebuttable presumption against issuing international ASIs. In contrast, the liberal approach endorses the issuance of ASIs to avoid vexatious and duplicative foreign disputes and to prevent inconsistent decisions. This second approach, therefore, seems to put much

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<sup>23</sup> Jorge L Contreras, 'It's Anti-Suit Injunctions All the Way Down – The Strange New Realities of International Litigation over Standards-Essential Patents' (2020) 26(4) IP Litigator 1.

<sup>24</sup> *In Re Unterweser Reederei GMBH*, 428 F2d 888, 890 (5th Cir 1970).

<sup>25</sup> *E&J Gallo Winery v Andina Licores SA*, 446 F3d 984, 991-95 (9th Cir 2006).

<sup>26</sup> Strong (n 20) 160-161.

less emphasis on the principle of international comity and give much greater weight to efficiency rationales.

Regardless of the approach chosen, a private contractual dispute is usually less likely to raise comity concerns compared, for instance, to litigation implicating public international law or involving government litigants. This means that, if two parties have contractually committed to litigate any future dispute before a specific forum, then enjoining one of the parties from beginning or continuing proceedings in a different forum should not be interpreted as an action in conflict with the comity principle.<sup>27</sup> In contrast, when a case raises considerations that are more complex and controversial, it is up to the judicial authorities to exercise their discretion and explore whether an ASI would conflict with the international comity principle. In making this comity inquiry, it may be relevant to examine, *inter alia*, the scope of the ASI<sup>28</sup> and the order in which the domestic and foreign suits were filed.

The balancing of policy considerations appears rather different in the EU legal framework. Indeed, the jurisprudence of the Court of Justice (CJEU) and normative acts adopted by European institutions (eg Brussels I Regulation)<sup>29</sup> have identified and developed the concept of 'mutual trust', according to which courts in one Member State may never issue an ASI to prevent or block legal proceedings in another Member State. Therefore, under a sort of conclusive presumption, EU countries are necessarily part of a cooperative game that rules out granting and enforcing anti-suit orders. In the words of the Brussels I Regulation, 'mutual trust in the administration of justice in the Community justifies judgments given in a Member State being

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<sup>27</sup> *ibid* 162.

<sup>28</sup> '[T]he sweep of the injunction should be no broader than necessary to avoid the harm on which the injunction is predicated'. *Laker Airways* (n 21).

<sup>29</sup> Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L12/1.

recognised automatically without the need for any procedure except in cases of dispute'.<sup>30</sup>

A few cases decided by the CJEU have also shed light on the scope of jurisdictional conflicts emerging from civil or commercial disputes within the Union. In *Allianz Spa v West Tankers*, the Grand Chamber of the CJEU confirmed that an ASI would conflict with the Brussels I Regulation insofar as it would prevent a national court from deciding on the applicability of that regulation to the dispute brought before it and, hence, from ruling on its own jurisdiction.<sup>31</sup> Put differently, in the CJEU's opinion, an ASI would be contrary to the general principle that every court in the EU determines whether it has jurisdiction to resolve disputes brought before it, and that 'in no case is a court of one Member State in a better position to determine whether the court of another Member State has jurisdiction'.<sup>32</sup> In contrast, allowing EU national courts to grant ASIs would inevitably impair the mutual trust which Member States accord to one another's legal and judicial frameworks.<sup>33</sup> Interference of this sort would not even be justified in extreme circumstances where an ASI is sought to prevent an abuse of process or a bad faith action by a litigant before the foreign authority.<sup>34</sup>

### III. ANTI-SUIT INJUNCTIONS IN SEP DISPUTES

As was previously mentioned, ASIs nowadays strongly influence the dynamics of SEP disputes. Despite the national nature of patents, the global reach of markets for technology inevitably leads to transnational litigation over SEPs. While patents grant territorial rights, every element in the FRAND disputes is global: standards are global, players operate globally, and

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<sup>30</sup> *ibid* para 16.

<sup>31</sup> Case C-185/07 *Allianz Spa and Generali Assicurazioni Generali Spa v West Tankers Inc* EU:C:2009:69.

<sup>32</sup> *ibid* paras 28-29. See also Case C-351/89 *Overseas Union Insurance and others v New Hampshire Insurance Company* EU:C:1991:279, paras 23-24; Case C-116/02 *Erich Gasser GmbH v MISAT Srl* EU:C:2003:657, para 48.

<sup>33</sup> *Allianz and Generali Assicurazioni Generali* (n 31) para 30.

<sup>34</sup> Case C-159/02 *Turner v Grovit and others* EU:C:2004:228, paras 27-31.

products are developed and marketed globally.<sup>35</sup> Therefore, FRAND disputes can spawn litigation in each country in which standard-compliant products and services are made available.<sup>36</sup> From this perspective, the respect of comity is particularly needed in the SEP scenario to promote transnational judicial reciprocity rather than the competition between jurisdictions.<sup>37</sup> Against this background, ASIs in principle constitute efficient means to promote judicial consistency and reduce litigation by precluding multi-jurisdictional disputes.

However, the surge of ASIs and the risks related to their opportunistic use in the SEP landscape is linked to the role that certain national courts have come to play in setting themselves up as *de facto* global licensing tribunals. As the tendency of some courts to set high rates may attract patent holders to those jurisdictions, implementers may in turn be interested in challenging those results before courts in jurisdictions with an established reputation for being hostile to patent holders and prone to set low rates.<sup>38</sup>

From this standpoint, the decisions by successive English courts in *Unwired Planet v Huawei* have triggered the global race to the courthouse.<sup>39</sup> The High Court of Justice, under Mr Justice Birss, found that global portfolio licensing was common industry practice and offered efficiency benefits by saving transaction costs for licensors and licensees and obviating the need to determine a royalty rate on a patent-by-patent basis.<sup>40</sup> Indeed, the patent portfolio at stake was 'sufficiently large and had sufficiently wide geographical scope that a licensor and licensee acting reasonably and on a

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<sup>35</sup> Pierre Larouche and Nicolò Zingales, 'Injunctive Relief in the EU – Intellectual Property and Competition Law at the Remedies Stage' in Contreras (ed) (n 4) 406, 419.

<sup>36</sup> Eli Greenbaum, 'No Forum to Rule Them All: Comity and Conflict in Transnational FRAND Disputes' (2019) 94 *Washington Law Review* 1085.

<sup>37</sup> Peter K Yu, Jorge L Contreras and Yu Yang, 'Transplanting Anti-Suit Injunctions' 71 *American University Law Review* 1537 (2022).

<sup>38</sup> Contreras, 'The New Extraterritoriality' (n 2) 281–82.

<sup>39</sup> *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2017] EWHC 711 (Pat), [2019] 4 CMLR 7, aff'd [2018] EWCA Civ 2344, [2018] RPC 20, aff'd [2020] UKSC 37, [2020] Bus LR 2422.

<sup>40</sup> *ibid.*

willing basis would have agreed on a worldwide licence and would have regarded country-by-country licensing as madness'.<sup>41</sup> Furthermore, Birss held that the approach supported did not contravene jurisdictional rules since the validity of patents would remain a matter falling within the exclusive jurisdiction of the judicial authorities of the territory where the patents subsist.

The UK Supreme Court ultimately upheld the ruling, confirming that national courts have the power to fix the conditions of a global FRAND licence and grant an injunction to prevent infringements of SEPs:

We recognise that Birss J has gone further than other courts have done thus far in his willingness to determine the terms of a FRAND licence which the parties could not agree, but that does not involve any difference in principle from the approach of courts in other jurisdictions. Otherwise, his approach is consistent with several judgments in other jurisdictions [...]. The principles stated in those judgments contemplate that, in an appropriate case, the courts in the relevant jurisdictions would determine the terms of a global FRAND licence.<sup>42</sup>

Notably, by referring to some of the most significant jurisdictions (ie Germany, China and the US), the UK Supreme Court was able to identify a number of generally accepted principles or practices, recognising *inter alia* the lawfulness of: i) taking into account the usual negotiation practices in the relevant industries when setting the terms of a FRAND licence; ii) determining a FRAND licence at a worldwide or international level in appropriate circumstances (eg when SEP holders have a sufficiently large and geographically diverse portfolio and the alleged infringers are active

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<sup>41</sup> *ibid* [543]. However, in the previous *Vringo Infrastructure Inc v ZTE (UK) Ltd*, the same judge dismissed the argument that the refusal to accept a particular global license would indicate the unwillingness of the licensee to agree to global licensing in general, stating that 'just because it may be so that the global portfolio offer is a FRAND offer, it does not follow that the global portfolio licence on offer is the only set of terms which could be FRAND'. [2015] EWHC 214 (Pat), [2015] RPC 23 [107].

<sup>42</sup> *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2020] UKSC 37, [2020] Bus LR 2422 [67].

globally); and iii) granting injunctive relief against the infringement of SEPs if the implementer has refused to accept a FRAND licensing offer.<sup>43</sup>

Moreover, the Court noted that the national nature of patents 'makes it very difficult, if not wholly impracticable, for a patent owner to protect an invention which is used in equipment manufactured in another country, sold in many countries and used by consumers globally'.<sup>44</sup> Therefore, this attribute of patent law may invite holdout behaviour enabling implementers to deny patent holders' legitimate rights by avoiding paying them the proper price for the use of their inventions internationally.<sup>45</sup> Finally, regarding the risk that this approach may favour forum shopping, conflicting judgments, and applications for ASIs, the Court argued that this would result from the policies of standard development organisations' (SDOs), which, though they allow

FRAND worldwide licences when a SEP owner has a sufficiently large and geographically diverse portfolio and the implementer is active globally, do not provide for any international tribunal or forum to determine the terms of such licences.<sup>46</sup>

Besides UK courts, the Judicial Court of Paris has affirmed its jurisdiction to set global FRAND rates in *TCL v Philips*<sup>47</sup> and in *Xiaomi v Philips*<sup>48</sup>, as has the District Court of The Hague in *Vestel v Philips*.<sup>49</sup> The US District Court for the Central District of California also took a similar approach, determining a global FRAND royalty rate in *TCL v Ericsson*.<sup>50</sup> However,

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<sup>43</sup> *ibid* [84].

<sup>44</sup> *ibid* [4].

<sup>45</sup> *ibid*.

<sup>46</sup> *ibid* [90].

<sup>47</sup> Tribunal Judiciaire de Paris, Case No RG 19/02085 (2020).

<sup>48</sup> Tribunal Judiciaire de Paris, Case No RG 20/12558 (2021).

<sup>49</sup> Court of The Hague, Case No C/09/604737 / HA ZA 20-1236 (2022).

<sup>50</sup> *TCL Commc'n Tech Holdings Ltd v Telefonaktiebolaget LM Ericsson*, 2017 WL 6611635 (CD Cal Dec 21, 2017), superseded by *TCL Commc'n Tech Holdings Ltd v Telefonaktiebolaget LM Ericsson*, 2018 WL 4488286 (CD Cal Sep 14, 2018), rev'd in part and vacated in part, *TCL Commc'n Tech Holdings Ltd v Telefonaktiebolaget LM Ericsson*, 943 F3d (Fed Cir 2019).

unlike Unwired Planet and Huawei, TCL and Ericsson agreed to engage in a binding court adjudication of terms for a worldwide portfolio license. Moreover, Chinese judicial authorities have recently manifested their willingness to set themselves up as global licensing tribunals and other jurisdictions may soon follow.<sup>51</sup> The phenomenon has in turn encouraged SEP owners and implementers to request ASIs (and also AASIs and AAASIs), hence confirming the risk mentioned in *Unwired Planet* of unleashing an inter-jurisdictional race to the bottom.<sup>52</sup>

### 1. ASI Cases

It is worth noting that ASIs in SEP litigation were granted for the first time in the US, namely in *Microsoft v Motorola*, where a US district court concluded that resolving the US dispute would dispose of a German one.<sup>53</sup> In the district court's view, the German action raised a number of serious concerns, from the risk of forum shopping and inconsistent judgements to duplicative or vexatious foreign litigation, which would undermine other equitable considerations by hampering, for instance, the US judge's ability to fairly adjudicate the FRAND dispute. Furthermore, the facts that both litigants were US corporations, the challenged conduct took place within the US, and the German action was filed after the U.S. action also contributed to overcoming any concern related to international comity. The Court of Appeal ultimately acknowledged the soundness of the district court's approach, confirming the willingness of US courts to grant ASIs

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<sup>51</sup> See Hubei Province – Wuhan Intermediate People's Court, Case E 01 Zhi Min Chu No 169 (2020), *Xiaomi Communication Technology Co Ltd v Inter Digital Inc*; Intermediate People's Court of Shenzhen City of Guangdong Province, Case Yue 03 Min Chu No 689 (2020), *Guangdong OPPO Mobile Telecommunications Corp Ltd v Sharp Corp*; Hubei Province – Wuhan Intermediate People's Court, Case E 01 Zhi Min Chu No 743 (2020), *Samsung v Ericsson*.

<sup>52</sup> For a useful summary of ASIs and AASIs issued in FRAND cases, see Jorge L Contreras, 'Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: The Case for Judicial Restraint', (2022) 11 NYU Journal of Intellectual Property & Entertainment Law 171.

<sup>53</sup> *Microsoft Corp v Motorola Inc*, 871 FSupp2d 1089 (WD Wash 2012).



where the *Gallo* and *Unterweser* factors are present and the impact on comity is considered tolerable.<sup>54</sup>

In a similar vein, in *Huawei v Samsung*, District Judge Orrick found that only an ASI could preserve the integrity of a US action even though the related lawsuits before the US and Chinese courts were different.<sup>55</sup> The relevance of the established threshold requirements was also confirmed in *Vringo v ZTE*,<sup>56</sup> *Apple v Qualcomm*<sup>57</sup> and *Optis v Huawei*,<sup>58</sup> where applications for ASIs were instead rejected. However, in *TCL v Ericsson*, the district court granted an ASI without conducting an exhaustive analysis of the required conditions in the light of the fact that both parties had agreed that the US action should result in a global resolution of their SEP dispute.<sup>59</sup> In sum, US courts have frequently dealt with ASI requests in SEP litigation. Four such cases (*Vringo v ZTE*, *Apple v Qualcomm*, *Optis v Huawei* and *Huawei v Samsung*) involved Chinese courts and three of them involved Chinese companies (ZTE and Huawei), though US courts agreed to issue an ASI only in one of these.

In 2018, UK courts joined the club and began issuing ASIs against Chinese companies. In *Conversant v Huawei and ZTE China*, the High Court expressed concern about the artificial attempt to anchor proceedings in another country where the true connection of the case was with the UK jurisdiction. It deemed some aspects of the parallel Shenzhen proceedings 'vexatious in that they sought to obstruct, or could have had the effect of obstructing pending proceedings before the English court or of undermining or frustrating the performance of a judgment given by the English court'.<sup>60</sup>

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<sup>54</sup> *Microsoft Corp v Motorola Inc*, 696 F3d 872 (9th Cir 2012).

<sup>55</sup> *Huawei Technologies Co Ltd v Samsung Elecs Co Ltd*, 340 FSupp3d 934 (ND Cal 2018).

<sup>56</sup> *Vringo Inc v ZTE Corp*, 2015 WL 3498634 (SDNY June 3, 2015).

<sup>57</sup> *Apple Inc v Qualcomm Inc*, 2017 WL 3966944 (SD Cal Sept 7, 2017).

<sup>58</sup> *Optis Wireless Tech LLC v Huawei Technologies Co Ltd*, 2018 WL 3375192 (ED Tex July 11, 2018).

<sup>59</sup> *TCL Commc'n Tech Holdings* (n 50).

<sup>60</sup> *Conversant Wireless Licensing v Huawei Technologies Co Ltd and ZTE Corp* [2018] EWHC 2549 (Ch), [2018] Costs LR 1049.

Previously, the High Court had considered the possibility of issuing an ASI in *Unwired Planet v Huawei*, arguing that Huawei's commencement of Chinese proceedings evidenced a holdout strategy.<sup>61</sup> However, the court was also critical of Unwired Planet's conduct in seeking preliminary injunctive relief against Huawei in Mexico without an apparent justification. The parties eventually settled parallel litigation in China and Mexico.

Against this backdrop, interest in the role of ASIs in SEP litigation has been sparked by a sudden increase in the number of ASIs issued by Chinese courts. In particular, in 2020, four decisions were taken relating to applications for ASIs that signalled the courts' intention to set China as the jurisdiction of choice for global disputes.<sup>62</sup> Three of the rulings were in favour of Chinese telecom companies.

In this scenario, the Supreme Court's decision in *Huawei v Conversant* can be considered a model for the Chinese approach, providing guidance to lower courts facing similar claims.<sup>63</sup> After Conversant secured an injunction against Huawei in parallel proceedings in Germany,<sup>64</sup> Huawei applied to the Supreme Court of China seeking an 'act preservation' order to prevent Conversant from enforcing this injunction until the conclusion of the Chinese dispute. In granting the requested ASI, the Chinese Supreme Court defined as relevant factors the impact of foreign litigation on actions pending before Chinese courts, the necessity of issuing an ASI, the balance of interests

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<sup>61</sup> [2017] EWHC 2831 (Pat).

<sup>62</sup> See Yu, Contreras and Yang (n 37), arguing that Chinese courts have apparently been sensitive to the words of Justice Luo Dongchuan (the President of the Intellectual Property Court of the Supreme People's Court), who, during the National People's Congress in May 2020, advanced some proposals aimed at enhancing Chinese judicial procedures, including the expansion of China's act preservation system, a remedy equivalent to ASI.

<sup>63</sup> Supreme People's Court of the People's Republic of China, Case Zui Gao Fa Zhi Min Zhong No 732, 733, 734 (2020), *Huawei Technologies Co Ltd and another v Conversant Wireless Licensing*. As part of the same litigation, an ASI has also been granted to ZTE. Intermediate People's Court of Shenzhen, Case Yue 03 Min Chu No 335-1 (2020).

<sup>64</sup> District Court (LG) of Düsseldorf, Case No 4b O 30/18 (2020) *Conversant Wireless Licensing SARL v Huawei Technologies Co Ltd*.

between defendant and claimant deriving from the issuance of an ASI, and the impact of the ASI on public interest and on the international comity principle.

The Supreme Court's judgement in *Huawei* was followed by the issuance of three other ASIs in *Xiaomi v Inter Digital*,<sup>65</sup> *OPPO v Sharp*<sup>66</sup> and *Ericsson v Samsung*,<sup>67</sup> in which Chinese courts expanded the reach of *Huawei* by asserting their jurisdiction to set global FRAND rates and grant global injunctive relief barring legal action in any other country. Indeed, in upholding the decision in *OPPO*, the Supreme Court celebrated the emergence of China as a guide, rather than a follower, in setting international intellectual property rules.<sup>68</sup>

## 2. AASI Cases

In global SEP litigation, ASIs were soon followed by AASIs, which aim to prevent the opponent from seeking or enforcing an ASI. As a form of counter-ASI, an AASI seeks to preclude the blocking of an action before another court, thereby allowing the action to continue in parallel. The *Nokia v Daimler and Continental* dispute is the first case where the legal battles between SEP holders and implementers generated both ASI and AASI requests. By issuing an AASI, the Landgericht of Munich held that an ASI blocking Nokia's actions in Germany (such as the one requested by

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<sup>65</sup> *Xiaomi Communication Technology* (n 51).

<sup>66</sup> *Guangdong OPPO Mobile Telecommunications* (n 51).

<sup>67</sup> *Samsung* (n 51).

<sup>68</sup> Supreme People's Court of the People's Republic of China, Case Zui Gao Fa Zhi Min Xia Zhong No 517 (2021), *Sharp Corp v Guangdong OPPO Mobile Telecommunications Corp Ltd*. In particular, the Chinese Supreme Court identified the following five factors, which would affect whether the Chinese court of first instance had jurisdiction to settle global terms for licensing SEPs: (i) the willingness of the parties to agree a global licence; (ii) the proportion of the SEPs to be licensed having been granted in any one country, in particular China; (iii) the principal place of business of the implementer; (iv) the place where negotiations have been conducted; and (v) the location of property available for seizure or enforcement of the licence.

Continental before the US District Court of California)<sup>69</sup> would unlawfully limit the property law content of patents and deprive Nokia of its legal standing and protected legal interests, namely access to justice and effective judicial protection of its rights.<sup>70</sup> Conversely, granting an AASI would not affect the prosecution of the US proceedings on the FRAND quantification.

The Higher Regional Court of Munich upheld the ruling, concluding that an AASI was the only effective means of defence against an ASI that would threaten a patent holder's property rights.<sup>71</sup> In the Court's view, such an AASI did not infringe either international law (as it did not challenge U.S. sovereignty) or European law (since the case at stake concerned violation of German intellectual property rights by a domestic firm).

The tension between the US and EU jurisdictions in the global SEP battle regained momentum in the *IPCom v Lenovo* litigation.<sup>72</sup> Although it recognised that an AASI usually presents an 'even greater danger of interfering improperly with the conduct of foreign proceedings', the UK High Court of Justice eventually granted one, arguing that it would be vexatious and oppressive to IPCom if it were entirely precluded from litigating on both infringement and validity of its UK patents.<sup>73</sup> Furthermore, the AASI sought by IPCom would have limited scope and would not materially interfere with the US proceedings, the latter being mostly focused on determining FRAND royalty terms and securing a declaration of non-infringement of the US patents.<sup>74</sup>

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<sup>69</sup> *Cont'l Automotive Sys Inc v Avanci LLC et al*, 2019 WL 6735604 (ND Cal Dec 11, 2019)

<sup>70</sup> District Court (LG) of Munich, Case No 21 O 9333/19 (2019) *Nokia v Daimler and Continental*.

<sup>71</sup> Higher Regional Court (OLG) of Munich, Case No 6 U 5042/19 (2019) *Continental v Nokia*.

<sup>72</sup> See *Lenovo (US) Inc et al v IPCom GmbH & Co KG*, 2019 WL 6771784 (ND Cal Dec 12, 2019); *IPCom GmbH & Co v Lenovo Technology (United Kingdom) Limited* [2019] EWHC 3030 (Pat), [2020] FSR 20.

<sup>73</sup> *IPCom* (n 72) paras 20, 52.

<sup>74</sup> *ibid* paras 46–47.

Interestingly, the aforementioned disputed issues had already been explored by a French court, as the patent assertion entity had started parallel proceedings before the High Court of Paris in relation to its French SEPs.<sup>75</sup> Reaching the same conclusion as the UK court, the Paris Tribunal held that ASIs are contrary to French public order unless they seek to enforce contractual arbitration or jurisdiction clauses, and that in the case at stake the ASI sought by Lenovo in the US would limit IPCom's fundamental rights to protect and enforce its French property rights and to have access to fair legal proceedings. The order was upheld by the Court of Appeal, which argued that the US ASI would unlawfully affect IPCom by preventing it from filing any new infringement actions. It eventually confirmed the need to put an end to the unlawful disturbance posed by Lenovo.<sup>76</sup>

An even broader conflict emerged in the *InterDigital v Xiaomi* litigation, encompassing judicial interventions by Chinese, German and Indian courts. In response to an ASI granted by a Chinese judge, the Delhi High Court issued its first AASI, which the Court preferred to label as an anti-enforcement injunction.<sup>77</sup> It held that a court of one sovereign country should refrain from blocking enforcement of an order passed by another sovereign country's court merely on the grounds that such enforcement might prejudice one of the parties. However, if such order negatively impacts the legitimate invocation of legal remedies available in a certain sovereign country without due justification, then the court in that country must then react against the unlawful incursion on its jurisdiction and on the

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<sup>75</sup> Tribunal Judiciaire de Paris, Case No RG 19/59311 (2019).

<sup>76</sup> Cour d'Appel de Paris, Case No 14/2020 (2020).

<sup>77</sup> High Court of Delhi, Case IA 8772/2020 in CS(COMM) 295/2020 (2021), *InterDigital Technology Corp v Xiaomi Corp*. The Court, indeed, argued that '[r]eferring to "anti-enforcement injunctions" as "anti-anti-suit injunctions" would [...] be a misnomer. It would not be correct to equate a prayer for injuncting the opposite party from continuing to prosecute a proceeding pending in a foreign Court, with a prayer for injuncting execution of an order passed by the foreign Court. It would be completely unrealistic for a Court not to recognize the distinction between these two categories of cases'. *ibid* para 80.

fundamental right to demand legal redress.<sup>78</sup> International comity considerations under these circumstances are not enough to justify withholding AASI relief.

Analogous considerations emerged in the German branch of the litigation.<sup>79</sup> After balancing the different parties' interests and noting that an AASI would neither impair Xiaomi's rights in China nor impact the Chinese main proceedings, the Munich Regional Court ultimately found sufficient grounds for granting a preliminary AASI. Furthermore, the court stated that any implementer requesting or threatening to request an ASI outside Germany might be considered an unwilling licensee within the meaning of the CJEU's ruling in *Huawei v ZTE*,<sup>80</sup> and subject to a sales ban in Germany. In the German court's view, under the CJEU's negotiation model an implementer who has been notified about a SEP infringement may be required not only to demonstrate willingness to acquire a FRAND license but also to confirm that it will not seek an ASI against the SEP owner.<sup>81</sup> More generally, from the German court's perspective, preventing the enforcement of an injunction for patent infringement in Germany (through an ASI, or even an AAASI blocking an AASI) amounted to unlawful interference with the proprietary rights and access to justice rights of the SEP holder, which may then legitimately invoke the right to self-defence.

Finally, the court recalled its power under German law to grant preventive AASIs, which means issuing an AASI even if a foreign ASI has not yet been granted, provided there is a 'risk of first infringement' of patent rights.<sup>82</sup> Such a 'risk of first infringement' is especially likely when the implementer has

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<sup>78</sup> *ibid* para 90.

<sup>79</sup> District Court (LG) of Munich, Case No 7 O 14276/20 (2021), *InterDigital Inc v Xiaomi Communication Technology Co Ltd*.

<sup>80</sup> Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp* EU:C:2005:176.

<sup>81</sup> See also District Court (LG) of Munich, Case No 7 O 36/21 (2021), *Huawei Technologies v IP Bridge*, concluding that an implementer seeking a foreign ASI cannot be considered as a 'willing licensee' in the context of a potential FRAND defence raised in the main proceedings.

<sup>82</sup> *InterDigital* (n 79) s E(II).

requested or threatened to request an ASI against the SEP owner, or filed or threatened to file a main action for the grant of a licence or for determination of a FRAND global royalty in a jurisdiction that usually grants ASIs.

In sum, German courts have yet to grant an ASI and have taken a hard stance against ASIs issued by foreign courts. Indeed, German courts have granted AASI requests against Chinese companies in *Huawei Technologies v IP Bridge*,<sup>83</sup> *HEVC Advance v Xiaomi*<sup>84</sup> and *Nokia v OPPO*.<sup>85</sup> Although the Higher Regional Court of Düsseldorf recently overturned an AASI (finding no specific threat to German patent rights from the fact that Xiaomi was seeking an ASI in China), it nonetheless concurred with the District Court of Munich's ruling in *InterDigital v Xiaomi*, stating that an implementer seeking an ASI might be deemed an unwilling licensee.<sup>86</sup>

Elsewhere on the geopolitical chessboard, it is worth noting that in the Netherlands the Court of The Hague has rejected a petition by Ericsson for an AASI against Apple, noting that Ericsson had not stated anything from which a concrete threat followed and had erroneously referred to Apple's institution of an ASI in a dispute with Qualcomm, while it was actually Qualcomm that had requested an ASI in that case.<sup>87</sup>

Finally, an AASI was considered by a U.S. District Court in *Ericsson v. Samsung*.<sup>88</sup> Although several *Unterweser* conditions were satisfied, the Court nonetheless acknowledged that injunctive relief is an extraordinary remedy

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<sup>83</sup> *Huawei Technologies* (n 80).

<sup>84</sup> District Court (LG) of Düsseldorf, Cases No 4c O 73/20, 4c O 74/20, 4c O 75/20 (2021).

<sup>85</sup> District Court (LG) of Munich, Case No 21 O 8690/21 (2021). See also *Nokia Technologies OY v OPPO Mobile UK Ltd and Others* [2021] EWHC 2952 (Pat), where the UK High Court denied a request to stay proceedings pending in a Chinese case. Indeed, OPPO has asked the Intermediate People's Court of Chongqing to set the terms of a global FRAND licence of Nokia's SEPs.

<sup>86</sup> Higher Regional Court (OLG) of Düsseldorf, Case No 2 U 25/21 (2022), *HEVC Advance v Xiaomi*.

<sup>87</sup> Court of The Hague, Case No C/09/618542 / KG ZA 21-914 (2021), *Telefonaktiebolaget LM Ericsson v Apple Retail Netherlands BV*.

<sup>88</sup> *Ericsson Inc v Samsung Electronics Co Ltd*, 2021 WL 89980 (ED Tex Jan 11, 2021).

that should be narrowly tailored in order to prevent irreparable harm. Indeed, a narrowly focused indemnification provision would ensure that both proceedings could 'progress on the merits without the risk of unbalanced economic pressure being imposed by one party on another'.<sup>89</sup> Accordingly, the Texas District Court permitted Ericsson to request a FRAND royalty determination and bring patent infringement claims against Samsung before the US courts, but declined to order Samsung to withdraw the ASI or bar Samsung from taking part in the Chinese lawsuit.

### 3. AAASI and AAASI Scenarios

The frontiers of the global SEP battles could be widened even further if litigants started seeking AAASIs as an antidote to AASIs and a way to preserve or resuscitate the legal effects of previous ASIs. AAASIs have recently made their appearance in the context of FRAND litigation. In the previously mentioned *InterDigital v Xiaomi* litigation, the Munich District Court briefly envisioned a scenario where an implementer applies or threatens to apply for an AAASI to block or prevent the SEP owner's claim for an AASI.<sup>90</sup> In such a context, the German judge reasoned, it would not be inappropriate for a SEP holder to react by requesting the court to issue an anti-anti-anti-anti-suit injunction order (AAAASI) as a provisional countermeasure still based on the risk of SEP infringement. Another example can be seen in the *Samsung v Ericsson* dispute. Indeed, the Wuhan Intermediate People's Court not only issued an ASI, but also prohibited Ericsson from seeking an order (ie an AASI) elsewhere to prevent Samsung from enforcing the ASI granted by the Chinese court, thereby issuing the first AAASI.<sup>91</sup>

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<sup>89</sup> *ibid* 14.

<sup>90</sup> *InterDigital* (n 79).

<sup>91</sup> *Samsung* (n 51).



#### 4. Comity in FRAND-related ASI Cases

International comity is 'an important integer in the decisional calculus'.<sup>92</sup> Given that efforts to promote comity require transnational judicial reciprocity, distrusting foreign proceedings in SEP litigation may be counterproductive and elicit retaliatory measures. Therefore, in order to avoid the escalation of jurisdictional conflicts, courts should carefully assess comity factors before issuing FRAND-related ASIs.

The analysis conducted in the previous paragraphs has shown that US courts have cast the first stone in ASI battles, which have essentially involved the US and China, while other jurisdictions have merely responded to anti-suit orders precluding actions in their own backyards. Instead of adopting countermeasures (ie AASIs), Chinese courts have followed the very same path as their US counterparts.

Evaluating the case law through the lens of comity principles, the evidence supports the idea that differences in terms of legal frameworks and traditions may have influenced courts' willingness to issue ASIs, but at the same time different national interests may have played a relevant role as well. Indeed, while the German and French reluctance in issuing ASIs may be explained by their civil law tradition, the same reasoning does not apply to countries such as India.<sup>93</sup> Further, the ASI regimes of the US and China share many characteristics.<sup>94</sup>

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<sup>92</sup> *Quaak* (n 16) 17.

<sup>93</sup> See Tsang and Lee (n 8), highlighting that most of the cases involved key players in the world's telecommunications market, including the top five smartphone manufacturers, which are Korean (Samsung), US (Apple), and Chinese (Huawei, Xiaomi, and Oppo) companies.

<sup>94</sup> *ibid.* See also Brief of International Intellectual Property Law Professors as Amici Curiae in Support of Neither Party, Brief of International Intellectual Property Law Professors as Amici Curiae in Support of Neither Party, *Ericsson Inc and Telefonaktiebolaget LM Ericsson v Samsung Elecs Co Ltd et al*, No 21-1565 (Fed Cir March 1, 2021), arguing that, the Chinese Court's ASI in *Samsung* (n 51) was an appropriate exercise of its authority to protect its jurisdiction over the parties' dispute and conformed with the ASI analysis conducted by US courts.

In practice, as noted, ASI determinations appear to turn on a single factor, namely, whether the local action will be dispositive of the foreign action.<sup>95</sup> Accordingly, courts have frequently issued ASIs just to protect their jurisdiction, whereas interference with comity has usually been considered tolerable because of the temporary nature of the ASI (if it is addressed at all).

As a notable exception, a US District Court in *Vringo v ZTE* denied the granting of an ASI, arguing that the injunctive relief would have been inappropriate because resolution of the case would have not disposed of the antitrust decision in China.<sup>96</sup> Further, in *Apple v Qualcomm*, another US District Court found that the impact on comity was not tolerable and weighed against the issuance of an ASI.<sup>97</sup> Notably, since the boundaries of the dispute at stake were not limited to the US, the Court stated that the issuance of an ASI would have effectively deprived the UK, China, Japan, and Taiwan from assessing the anticompetitive effects of Qualcomm's licensing and chip practices on their markets. Finally, in *Optis v Huawei*, Judge Payne noted that the scope of any relief awarded by a US or Chinese court extends only as far as jurisdiction allows, hence there was no apparent threat to his Court's jurisdiction.<sup>98</sup>

Given the illustrated scenarios of ASIs cases, it is evident that the principle of comity – as interpreted by national courts – has generally failed to contain the risk of jurisdictional conflicts. Since these disputes stem from the growing tendency of national courts to set global licensing terms despite the well-known uncertainty about FRAND determination, efforts should be devoted to reducing SEPs litigation as a whole rather than merely identifying specific solutions to the jurisdictional tensions triggered by ASIs. As explained in the next section, such a goal may only be achieved through

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<sup>95</sup> Brief of International Intellectual Property Law Professors (n 94); Tsang and Lee (n 8).

<sup>96</sup> *Vringo* (n 56).

<sup>97</sup> *Apple* (n 57).

<sup>98</sup> *Optis Wireless Tech* (n 58).

an intervention at the upstream level, refining the scope of SDOs' intellectual property rights (IPR) policies.

#### IV. LOOKING FOR A VIABLE AND EFFECTIVE SOLUTION

As previously noted, the dynamics of ASIs and their countermeasures perfectly depict the evolution of the 'race to the court-house' and 'race to the bottom' phenomena that have engaged stakeholders and courts at the global level. Furthermore, these disputes have highlighted the increasingly central role played by the Chinese jurisdiction on the standard-setting stage, together with the clear divide between European common law (ie UK) and civil law (eg France and Germany) jurisdictions, with the latter reluctant to recognise the effectiveness of ASIs and more inclined to resist interference by foreign courts. More generally, the new wave of litigation has raised unresolved questions about international comity relations, conflicts of laws, and effective judicial protection, which have significantly amplified the already existing tensions among the players involved in SEP licensing. Indeed, if SEP owners have unfettered freedom to select the jurisdiction in which to bring an action for infringement, they will probably select the jurisdiction likely to settle FRAND terms most favourable to them. By the same token, if implementers have unfettered freedom to bring a claim in any jurisdiction for settlement of FRAND terms, they will select the country which is most favourable to them.<sup>99</sup> Therefore, ASIs may have a pernicious impact on the protection of patent rights and on the proper functioning of standardisation processes.

Regarding solutions, some proposals advocate an intervention by international bodies. Such intervention could either lead to an international agreement or an industry-wide arbitral forum for resolving global FRAND disputes at their roots. At one end of the spectrum, Cotter proposes that

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<sup>99</sup> See *Nokia Technologies* (n 85) paras 117-18, stating that a race to the bottom is no more attractive than a race to the top. See also *Tsilikas* (n 12) 736, arguing that ASIs represent an additional tool for holdout by unwilling licensees.

inter-governmental cooperation could entail the development of soft law instruments (eg best practices) to deal with FRAND determinations.<sup>100</sup> By this view, it has been suggested that, in the SEPs context, courts should resort to ASIs only in circumstances in which enforcement in another jurisdiction would frustrate the domestic court's ability to render judgment. Further, as the argument goes, such best practices could even define the optimal method of FRAND calculation (eg top-down versus bottom-up models) or the desirable approach on issues of confidentiality of SEPs licensing agreements.<sup>101</sup>

On the other end of the spectrum, Contreras argues that international coordination could lead to the founding of a global non-governmental tribunal with sole authority to fix global FRAND rates for all SEP owners with respect to a specified standard.<sup>102</sup> Any request for injunctive relief by licensors or licensees before a national court would then have to be stayed until the global tribunal fixed the scope of FRAND licensing terms. A rate-setting tribunal should operate under consistent principles and procedures, and its decisions should be made public to offer robust guidance to the industry. The promotion of transparency, consistency, and comprehensiveness principles in the determination of aggregate FRAND terms should be at the basis of the tribunal's *modus operandi*.

The proposal actually includes a mandatory and an optional version.<sup>103</sup> While the latter resembles arbitration and other alternative dispute resolution (ADR) mechanisms already available for the voluntary adjudication of FRAND disputes, the former may be imposed through statutory and treaty obligations or (more effectively) through binding provisions in SDOs' policies. In this regard, Contreras considers a recognized non-governmental

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<sup>100</sup> Thomas F Cotter, 'Is Global FRAND Litigation Spinning Out of Control?' [2021] *Patently-O Law Journal* 1.

<sup>101</sup> *ibid.*

<sup>102</sup> Jorge L Contreras, 'Global Rate-Setting: A Solution for Standards-Essential Patents?' (2019) 94 *Washington Law Review* 701.

<sup>103</sup> *ibid* 738-41.

international organization (such as the World Intellectual Property Organization or the OECD) or institution (such as the International Chamber of Commerce, the American Arbitration Association, or the London Court of International Arbitration) the best host for the FRAND tribunal.<sup>104</sup> An obligation to solve disputes on FRAND royalties before a non-governmental rate setting tribunal would obviously bind SDOs participants, but not those businesses (eg manufacturers) that have decided to avoid joining the SDO. Nevertheless, the SDO could include in its policies or bylaws an additional clause according to which (non-member) firms willing to implement the standard should agree to solve any royalty conflict before the cited tribunal. Contreras provides further details on the calculation and allocation of the defined fees. Under the mandatory version of the model, for instance, the tribunal would first set the aggregate royalties and then proceed to allocate them to the various SEPs holders, all of which would be bound by such determination. Under the optional version, only the parties expressly selecting the rate setting tribunal would be bound by the royalty calculation, though such determination and allocation could still be informative to subsequent courts or arbitrators in subsequent disputes involving other SEPs owners.<sup>105</sup>

However, solutions requiring substantial international cooperation may be particularly complex to achieve and take considerable time.<sup>106</sup> It may be reasonable to enquire, instead, whether a robust (and prompt) intervention at the upstream policy level would be more desirable. This may entail substantial rethinking of the IPR licensing policies widely adopted by SDOs.

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<sup>104</sup> *ibid* 742.

<sup>105</sup> *ibid* 740–41. On the role of arbitral organizations in FRAND disputes, see also Peter G Picht and Gaspare T Loderer, 'Arbitration in SEP/FRAND Disputes: Overview and Core Issues' (2019) 36 *Journal of International Arbitration* 575, 581–83, considering a number of suitable institutional players (eg WIPO and ICC) and exploring the future role of the Patent Mediation and Arbitration Centre foreseen by the Agreement on a Unified Patent Court ([2013] OJ C175/1).

<sup>106</sup> Geradin and Katsifis (n 2) 28–31; Maximilian Haedicke, 'Anti-Suit Injunctions, FRAND Policies and the Conflict between Overlapping Jurisdictions' (2022) 71 *GRUR International* 101.

After all, ASI global disputes epitomise the negative externalities of the fuzzy FRAND paradigm, which has proven to be an 'abysmal failure' rather than a resource for optimal licensing.<sup>107</sup> In other words, as emerged from the last decade's wasteful SEP litigation, the significant uncertainty about the very meaning of FRAND is at the origin of the conflictual relations between patentees and licensees, and the global case law is undoubtedly far from solving all complex matters related to the FRAND licensing concept.

Further considerations seem to endorse an intervention at the SDO policy level. As has been attested by national courts, SEP disputes are contractual in nature.<sup>108</sup> Therefore, it is not disputed that a company's violation of a FRAND pledge amounts to a breach of contract. If anything, it is the role and the appropriateness of antitrust law to police opportunistic behaviours that is debatable.<sup>109</sup> Accordingly, problems concerning the licensing of SEPs

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<sup>107</sup> Aron Devlin, 'Standard-Setting and the Failure of Price Competition' (2009) 65 NYU Annual Survey of American Law 217, 236. See also Mark A Lemley and Timothy Simcoe, 'How Essential Are Standard-Essential Patents?' (2019) 104 Cornell Law Review 607, 612-14, noting that everything about the FRAND commitment is still controversial, including 'whether a FRAND commitment prevents a patentee from getting an injunction, whether the fact that a patent is standard-essential should bar an injunction even if there is no FRAND commitment, whether a patentee that makes a FRAND commitment must offer it to everyone or only willing licensees, who is a willing licensee, whether the FRAND commitment is an enforceable contract, who decides what royalty is FRAND, what a FRAND royalty rate actually is, and what the consequences are of renegeing on a FRAND commitment'. See also Tsang and Lee (n 8), arguing that the surge in ASIs reflects the international legal vacuum about FRAND determination.

<sup>108</sup> See eg *Microsoft* (n 53); *Unwired Planet International* (n 39); *TCL* (n 47); German Federal Court of Justice (Bundesgerichtshof), Case KZR 35/17 (2020) *Sisvel v Haier (Einwand II)*.

<sup>109</sup> See eg Richard A Epstein and Kayvan B Noroozi, 'Why Incentives for "Patent Holdout" Threaten to Dismantle FRAND, and Why It Matters' (2017) 32 Berkeley Technology Law Journal 1381; Maureen K Ohlhausen, 'The Elusive Role of Competition in the Standard-Setting Antitrust Debate' (2017) 20 Stanford Technology Law Review 93; Gregory J Werden and Luke M Froeb, 'Why Patent Hold-Up Does Not Violate Antitrust Law' (2019) 27 Texas Intellectual Property Law Journal 1.

should be essentially addressed by contract law.<sup>110</sup> Indeed, strategic conduct is a form of contractual opportunism that reflects incomplete contracting at the time of standardisation. It follows that problems in SEP licensing stem from a lack of contractual or organisational solutions provided by SDOs, which exacerbates the risk of strategic behaviour.<sup>111</sup> Further, SDOs are the closest to all market players and have a sophisticated understanding of the standards and of their main contributors. Hence, they are best positioned to tackle the licensing dilemma at its roots.<sup>112</sup>

Given these premises, by focusing on the crucial position of SDOs, some policy recommendations can be put forward to curb the economic and legal frictions affecting SEP licensing. First, SDOs should require all SEP owners involved in a standardisation process to unilaterally disclose, ahead of the standard being adopted, the most restrictive licensing terms, comprising the highest licensing rates (not excluding royalty-free terms) and most stringent non-pricing terms (eg restrictions on the use of the licenced patent). SDOs are best placed to determine a reasonable aggregate rate for standards by imposing *ex ante* price commitments. Coordinated predetermination of the most restrictive licensing terms (or 'licence ceiling') may deliver aggregate royalties widely accepted in the industry, avoiding holdup problems and royalty stacking. This, in turn, would bring a substantial reduction in litigation involving licensing commitments.<sup>113</sup>

More specifically, such a licensing framework should be applied in a non-discriminatory way to all businesses requiring licenses for implementing the

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<sup>110</sup> See Tsang and Lee (n 8), arguing that, given the private-ordering nature of standard setting and FRAND commitment, the best way to address this issue is through private ordering.

<sup>111</sup> Charles River Associates, *Transparency, Predictability, and Efficiency of SSO-based Standardization and SEP Licensing: A Report for the European Commission* (European Union 2016) 12-13.

<sup>112</sup> Kung-Chung Liu, 'Arbitration by SSOs as a Preferred Solution for Solving the FRAND Licensing of SEPs?' (2021) 52 *International Review of Intellectual Property and Competition Law* 673.

<sup>113</sup> On the benefits of the *ex ante* model, see eg Charles River Associates (n 111) 28-30.

standardized technology. In terms of advantages, a model based on *ex ante* unilateral disclosure of the licence ceiling would overcome the risks related to the FRAND mechanism. The latter, as argued before, leaves potential licensees uncertain as to the conditions on which patents will be licensed. Early disclosure of the licensing conditions, instead, would remove such a risk by giving implementers more certainty about the applied economic terms. Secondly, due to the existence of specific economic terms, unfair conduct consisting in the application of higher fees or more restrictive non-pricing terms (than those declared *ex ante*) would seldom succeed. Indeed, a contractual promise based on defined price and non-price benchmarks would be easier to enforce before a court than the undefined FRAND licensing model. Finally, in the context of a maximum cap framework, a standard development body would even be in the position to assess not only the technological excellence of the proposed solutions, but also all related costs and efficiencies.<sup>114</sup>

One criticism that could be raised to the model, perhaps, lies in the fact that patentees would be required to set maximum terms at an early stage, sometimes without being aware of the precise contribution their IPRs would bring to the standardised product or technology under discussion.<sup>115</sup> Yet, the issue may be solved by giving patentees more flexibility on when to disclose the license ceiling, instead of compelling them to do so as soon as they join the SDO and its working groups. This may, for instance, imply allowing patent owners to submit the defined economic conditions, at the latest, before the SDO adopts its first formal resolution on the preferred standard. At that stage, indeed, advanced discussions on the optimal solutions to promote will have already taken place and patent holders may have acquired

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<sup>114</sup> See Robert A Skitol, 'Concerted Buying Power: Its Potential for Addressing the Patent Hold-up Problem in Standard Setting' (2005) 72 *Antitrust Law Journal* 742; Jorge L Contreras, 'Rethinking RAND: SDO-based Approaches to Patent Licensing Commitments' (ITU Patent Roundtable, Geneva, 10 October 2012) ITU Patent Roundtable.

<sup>115</sup> See Jorge L Contreras, 'Technical Standards and Ex Ante Disclosure: Results and Analysis of an Empirical Study' (2013) 53 *Jurimetrics* 163.



a clearer understanding of the value of their SEPs. In making such determination of the economic terms, one helpful criterion would be to look at the value of licences for similar patented innovations related to similar products. By contrast, allowing disclosure after the SDO takes significant formal steps towards a specific technical solution would lead to considerable risks. Indeed, if the disclosed cap were eventually considered exorbitant, the SDO would likely have to reconsider alternative solutions and would consequently lose both the time and the financial costs incurred during the selection process (eg market analysis to examine buyers' interest in the standard). Therefore, the irrevocable and unconditional cap disclosure should be made well before the formal voting and adoption of the standard, but not necessarily at early stages of the process.<sup>116</sup>

The effectiveness and benefits of an *ex ante* disclosure framework have been recognised by both the U.S. Department of Justice (DoJ) and the European Commission. The latter, in its guidelines on horizontal cooperation agreements, has considered that unilateral *ex ante* disclosure would allow the standard development bodies to adopt better informed decisions on competing standards and explore not only the technical merits, but also their costs.<sup>117</sup> On a similar note, the DoJ has in the past noted that *ex ante* disclosure of most restrictive terms could 'reduce the likelihood of unexpected licensing terms that threaten the success of future [...] standards', and could further lead to faster development, implementation, and adoption of a standard, as well as fewer litigated disputes.<sup>118</sup>

Despite the cited advantages, only a few SDOs in the ICT field have explored the adoption of policy rules promoting *ex ante* disclosure of a

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<sup>116</sup> For an analysis of the optimal timing for declarations of SEPs and related licensing terms (including cap commitments), see Charles River Associates (n 111) 64–66.

<sup>117</sup> Commission, 'Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal cooperation agreements' (Communication) [2011] OJ C11/01, para 299.

<sup>118</sup> Letter from Thomas O Barnett to Robert A Skitol, Esq (30 October 2006).

licence ceiling.<sup>119</sup> While these SDOs have clarified that unilateral disclosure of a 'not to exceed' licence fee or a maximum cap is not prohibited, at the same time, they have continued promoting FRAND economic conditions or royalty-free terms.<sup>120</sup> Such hybrid options, requiring FRAND commitments while merely allowing unilateral and voluntary disclosure, do not represent effective solutions to ensure once and for all transparency and legal certainty within the SDO context. Only by mandating (rather than permitting) *ex ante* disclosure of the licence ceiling, and eliminating vague references to FRAND in their policies, can SDOs bring to an end, or at least substantially reduce, the wasteful SEP litigation.

As a feasible alternative, should SDOs maintain the much-debated FRAND framework, they should at least impose mandatory bilateral (ie between licensors and potential licensees) arbitration in order to prevent forum shopping through the strategic use of ASIs and related countermeasures.<sup>121</sup> More specifically, SDOs should amend their IPR policies to ensure that, if

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<sup>119</sup> See, for instance, Scott Bradner and Jorge L Contreras, 'Intellectual Property Rights in IETF Technology' (Internet Engineering Task Force, May 2017) <<https://datatracker.ietf.org/doc/html/rfc8179>> accessed 4 August 2022; Institute of Electrical and Electronics Engineers Standards Association (IEEE-SA), 'IEEE-SA Standards Board Bylaws' (February 2022) para 6.2 <[https://standards.ieee.org/wp-content/uploads/import/documents/other/sb\\_bylaws.pdf](https://standards.ieee.org/wp-content/uploads/import/documents/other/sb_bylaws.pdf)> accessed 4 August 2022. For an analysis of IEEE-SA's IP policies, see Nicolas Petit, 'The IEEE-SA Revised Patent Policy and its Definition of Reasonable Rates – a Transatlantic Antitrust Divide?' (2017) 27 *Fordham Intellectual Property, Media and Entertainment Law Journal* 211.

<sup>120</sup> See Contreras, 'Technical Standards and Ex Ante Disclosure' (n 115) 172, focusing on the *ex ante* disclosure policies of a number of SDOs and finding that the main criticisms raised against an early licence ceiling model (including negative impact on standardization length, members' participation, and standards quality) do not seem supported by either quantitative or qualitative evidence.

<sup>121</sup> Mark A Lemley and Carl Shapiro, 'A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents' (2013) 28 *Berkeley Technology Law Journal* 1135; Richard Arnold, 'SEPs, FRAND and Mandatory Global Arbitration' (2021) 70 *GRUR International* 123; Geradin and Katsifis (n 2); Haedicke (n 106). Greenbaum (n 36) and Tsang and Lee (n 8) support, instead, the idea that SDOs should include an exclusive forum selection clause. However, they differ over whether the forum selection clause should designate the jurisdiction specified in the 'choice of law' clause or the jurisdiction where the patent is granted.

there is a lack of consensus between licensors and licensees on the scope of a FRAND licence, the matter should be referred to an arbitration panel (eg composed of two members selected by the patentee and licensee respectively and a third member chosen by the first two appointees). In terms of FRAND royalty quantifications, the arbitration panel could make its own assessment and choice, or could alternatively select either the patentee's or the licensee's proposal (so-called 'baseball arbitration').<sup>122</sup>

Arbitration, as a form of ADR, is certainly not a new phenomenon in the context of IP matters. However, in the last few years, it has gained traction in the area of FRAND-committed SEPs solving a number of complex and disputed issues.<sup>123</sup> Overall, it offers substantial advantages when compared to national court litigation. First, the concerned parties are normally allowed to choose the arbitral panel with the required and desired expertise on SEPs cases. Second, arbitration may avoid the risk of waste of resources due to multiple court proceedings, which represent a considerable financial burden, especially for the smaller players. Third, it is much more time-effective and efficient in comparison to ordinary litigation. Fourth, ADR remedies generally offer a higher degree of confidentiality, which may be valued by the parties to a SEP dispute. The cited benefits and effectiveness of ADR remedies have been acknowledged by both administrative and judicial authorities.<sup>124</sup>

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<sup>122</sup> Charles River Associates (n 111) 80. Under a modified version (called 'night baseball'), parties' licensing proposals are not disclosed to the arbitrator: the latter simply selects a royalty level on the basis of an independent evaluation. Ultimately, the selected royalty coincides with the party's (licensee or patentee) offer that is closest to the arbitrator's licence choice. In the realm of existing SDOs, only one organization – albeit not involved in information and communication standards but in the different sector of computing architectures – seems to have considered mandatory arbitration. See VITA Standards Organization, 'Policies and Procedures' (December 2021) para 10.5 <<https://www.vita.com/resources/Documents/Policies/vso-pp-r2d8.pdf>> accessed 26 February 2022.

<sup>123</sup> Picht and Loderer (n 105) 575.

<sup>124</sup> *ibid* 579–81.

With this regard, arbitration would be endorsed by the European Commission, whose recent IP Action Plan explicitly encourages industry-led initiatives (like ADR) to bring more transparency and legal certainty in SEP licensing.<sup>125</sup> In this perspective, it is also worth noting that the Commission has tabled a proposal for a regulation setting out a roadmap for establishing a new framework for SEPs.<sup>126</sup> In a similar vein, the UK Intellectual Property Office, noting that potential benefits of more widespread use of arbitration could include reduced costs and lower barriers to entry for innovators, has launched open consultation on SEPs, seeking views on how best to encourage and promote greater use of arbitration and whether the government should intervene – for example, by introducing a mandatory requirement to arbitrate.<sup>127</sup>

For the sake of clarity, even an arbitration mechanism implemented by SDOs would not be immune from criticism. For instance, as some authors have pointed out, mandatory arbitration would deprive SEP owners and

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<sup>125</sup> Commission, 'Making the most of the EU's innovative potential. An intellectual property action plan to support the EU's recovery and resilience' (Communication COM (2020) 760 final, para 4. In a recent webinar organized by the European Commission, Lord Justice Richard Arnold and Maurits Dolmans made the case for arbitration. In his presentation, entitled 'SEPs, FRAND and Mandatory Global Arbitration', Arnold supported the introduction of a system for the mandatory global arbitration of FRAND disputes that should be achieved by including an arbitration clause within the contract formed between SDOs and SEP holders. In a similar vein, to avoid forum shopping and ASI tactics, Dolmans argued in his presentation, entitled 'The EC Should, and Can, Incentivise FRAND Arbitration', that, in the forthcoming Guidelines on Horizontal Agreements and when implementing the IP Action Plan, the European Commission has a unique opportunity to encourage SDOs to provide for arbitration in their IPR policies. Commission, 'Enforcement of Standard Essential Patents – Current Bottlenecks and Possible Solutions' (Webinar Series on Standard Essential Patents, 19 May 2021) <[https://ec.europa.eu/growth/events/webinar-series-standard-essential-patents\\_en](https://ec.europa.eu/growth/events/webinar-series-standard-essential-patents_en)> accessed 27 February 2022.

<sup>126</sup> 'Intellectual Property – New Framework for Standard-Essential Patents' (European Commission) <[https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13109-Intellectual-property-new-framework-for-standard-essential-patents\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13109-Intellectual-property-new-framework-for-standard-essential-patents_en)> accessed 3 November 2021.

<sup>127</sup> 'Standard Essential Patents and Innovation: Call for Views' (n 5).

implementers of access to the judicial system.<sup>128</sup> Furthermore, it may still be complex for the SDO community to reach an agreement on the scope of an arbitral award. Should the arbitrator be allowed to also evaluate the essentiality, validity, exhaustion, and infringement of the standard essential patent? Which law and rules would be applicable to the arbitration proceedings and substance of the case, the *lex loci arbitri* (ie law of the place of arbitration) or the *lex loci protectionis* (ie law of the jurisdiction granting IP protection)? Would patent holders be allowed to apply for interim injunctions before national courts, pending the outcome of the arbitration process? Could an arbitral award have *erga omnes* effect, also affecting the position of other SDO members? Should the award be fully covered by a confidentiality clause, or should it be disclosed (at least partly) to all SDO members? Lastly, should the arbitrators retain decision-making power to sanction *ex post* any breach of the obligations established in the arbitral award?<sup>129</sup>

Internal surveys or policy discussions within an SDO, involving both patentees and potential licensees, should hence be conducted in order to set (to the extent possible) the optimal scope of the SDO arbitration clause and strike the right balance between the parties' interests without discouraging their participation. Intuitively, the introduction of a broad arbitration mechanism (eg mandating arbitral determinations on both FRAND terms and SEPs infringement, validity, or essentiality, while denying the possibility of interim relief applications) would undoubtedly lead to significant time and costs savings, especially when compared to the ordinary litigation pathway.<sup>130</sup> In brief, if a binding arbitral mechanism is eventually mandated in a SDO environment, all these thorny issues would need to be clarified in context. However, this seems a necessary step to ensure a level playing field.

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<sup>128</sup> Charles River Associates (n 111) 79; Liu (n 112).

<sup>129</sup> On the scope of an arbitral award in SEPs cases, see Picht and Loderer (n 105) 583–91.

<sup>130</sup> For an analysis of the role of arbitration in solving patent disputes, see, among others, Konstantinos Petrakis, 'The Role of Arbitration in the Field of Patent Law' (1997) 52 *Dispute Resolution Journal* 24.

As the UK Supreme Court held in *Unwired Planet*, the risk of irreconcilable judgments and applications for ASIs are the direct result of SDO policies that, while allowing FRAND worldwide licences, do not provide any forum to determine the terms of such licences.<sup>131</sup>

## V. CONCLUDING REMARKS

To quote the recent UK High Court's decision in *Nokia v OPPO*, the current unevolved framework for the settlement of SEP global licences is 'plainly not satisfactory'.<sup>132</sup> It encourages uncertainty and expensive parallel litigation in several jurisdictions, and it is probably unsustainable in the long term.<sup>133</sup> In fact, the conflictual dynamics triggered at the international level have also raised substantial concerns among various government authorities.

As the importance of standards is growing with the increasing globalisation of commerce, the emergence of new technologies, and the need for interoperability, concern the ongoing jurisdictional conflicts has been heightened in view of the willingness of Chinese courts to use the ASI legal tool to set themselves up as global licensing tribunals with the aim of safeguarding and advancing China's economic interests.<sup>134</sup> Indeed, the suspicion is that the final goal lurking behind the sudden increase in the number of ASIs issued by Chinese courts is to set rates low enough to meet

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<sup>131</sup> *Unwired Planet International* (n 39) para 90.

<sup>132</sup> *Nokia Technologies* (n 85) para 116.

<sup>133</sup> *ibid.*

<sup>134</sup> See 'China is Becoming More Assertive in International Legal Disputes' (*The Economist*, 11 September 2021) <<https://www.economist.com/china/china-is-becoming-more-assertive-in-international-legal-disputes/21804496>> accessed 4 November 2021; Josh Zumbun, 'China Wields New Legal Weapon to Fight Claims of Intellectual Property Theft' (*The Wall Street Journal*, 26 September 2021) <<https://www.wsj.com/articles/china-wields-new-legal-weapon-to-fight-claims-of-intellectual-property-theft-11632654001>> accessed 4 November 2021.

an industrial policy aimed at promoting Chinese companies' competitiveness.<sup>135</sup>

In this regard, the European Commission has signalled a need to nurture a more stable and effective global intellectual property framework and to firmly address the challenges deriving from weak protection and enforcement for EU businesses operating abroad, explicitly alluding to the risks related to broad extraterritorial anti-suit orders.<sup>136</sup> The Commission has identified the Chinese legal framework as a particularly complex and legally uncertain environment from the standpoint of firms holding relevant SEPs and willing to monetise their IPRs. In a similar vein, the Office of the US Trade Representative has remarked on the failure by Chinese courts to thoroughly protect US intellectual property, also pointing to the emerging practice in Chinese tribunals of granting ASIs in SEP cases without notice or an opportunity for all litigants to take part in the proceedings.<sup>137</sup>

However, the recent judicial escalation has been originated, on the one hand, by English courts' decisions in *Unwired Planet* empowering national courts to fix terms of global FRAND licenses and, on the other hand, by US courts' decisions in *Microsoft v Motorola* issuing the first ASI in the SEP context. Because of the economic relevance and strategic role of standards in an interconnected and interdependent world, the lack of mutual trust and judicial reciprocity, which inspire comity, have unsurprisingly led to the adoption of retaliatory measures or self-defence actions by other jurisdictions.

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<sup>135</sup> Jyh-An Lee, 'Implementing the FRAND Standard in China' (2016) 19 *Vanderbilt Journal of Entertainment & Technology Law* 37.

<sup>136</sup> Commission, 'Making the most of the EU's innovative potential' (n 125) 17. See also European Parliament, 'An intellectual property action plan to support the EU's recovery and resilience' (Resolution) 2021/2007 (INI) para 19, calling on the Commission to continue observing the conduct of third country companies in international standardisation bodies, which, together with recent decisions by foreign courts, places European companies at a significant disadvantage by undermining the competitiveness of the European market.

<sup>137</sup> Office of the US Trade Representative (n 5) 47-48.

Moreover, ASI wars are a new side effect of the FRAND mechanism. In the two decades since its adoption by the ICT standard-setting environment, this licensing framework has triggered a significant number of disputes related *inter alia* to the precise meaning and scope of FRAND licenses, the nature and legal implications of FRAND commitments, and the value chain level at which a SEP holder must grant FRAND licenses.<sup>138</sup> Thus, focusing on the flaws of the FRAND model, rather than searching for answers from the comity principle, represents the optimal pathway.

In this regard, instead of waiting for complex international coordination, a prompt adjustment of SDO licensing policies seems desirable at this stage, also considering the increasing importance SEPs have been acquiring in other sectors, from automotives to health and energy. A moderate version of this approach could entail the inclusion in SDO policies of an arbitration clause according to which licensees and licensors – in the absence of consensus over the scope of a FRAND license – would be required to refer the matter to an arbitral panel rather than bring the case before a national court. A more drastic solution would abandon the much-debated FRAND mechanism and impose on SEP holders a duty to disclose *ex ante* the most restrictive licensing terms applied for a given essential patent.

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<sup>138</sup> See European Parliament (n 136) para 18, underlining that FRAND terms are vague and involve legal uncertainty and calling on the Commission to monitor industry developments and provide more clarity on various aspects of FRAND.