

Anti-suit injunctions for standard-essential patents: the emerging gap in international patent enforcement

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Executive Summary: In standard essential patent (SEP) disputes, situations of overlapping national jurisdictions often arise. These overlaps are occasionally resolved with the issuance of an anti-suit injunction (ASI), i.e., an order barring the initiation or continuation of overlapping proceedings in foreign jurisdictions. In the context of SEP disputes, an ASI has been issued in the US on one occasion (by the 9th Circuit in *Microsoft v. Motorola*), while UK courts have also left open the possibility of an ASI being granted in the SEP context. Courts in China appear, however, increasingly willing to issue ASIs. ASIs may potentially undermine relations of comity between national courts and represent a challenge from a rule of law perspective by interfering with patent owners' right to property and effective judicial protection.

Summary (1,284 words): The success of standardization in the field of wireless telecommunications has engendered a global market for standard-compliant products and standard essential patents (SEPs). Because patents are territorial rights and major technology contributors hold SEPs in many jurisdictions, it is not uncommon in cases of multi-jurisdictional FRAND disputes situations of overlapping jurisdiction to arise.

Jurisdictional overlaps are common in disputes with a private international law dimension. One way to resolve jurisdictional conflicts is the issuance of an 'anti-suit injunction' (ASI). ASIs are court orders barring a litigant from initiating or continuing proceedings in foreign jurisdictions regarding the same disputes and against the same counterparties.¹ In SEP disputes, ASIs can be potentially granted by courts the US, the UK, and China. Where ASIs are issued, the parties enjoined are barred from initiating or continuing litigation in foreign jurisdictions, including actions for injunctive relief, declaratory actions to set a FRAND rate, and antitrust complaints.

Anti-suit injunctions may:

- (a) undermine relations of comity between national courts;
- (b) interfere with the ability of courts to assert their lawful jurisdiction;
- (c) present a challenge from a rule of law perspective, interfering with the patentee's right to property and the right to effective judicial protection;
- (d) have a negative impact on the ability of technology contributors to earn a fair return;
- (e) have a negative impact on incentives to innovate and contribute to standards.

Anti-suit injunctions in the US

¹ Jorge Contreras and Michael Eixenberger, 'The Anti-Suit Injunction - A Transnational Remedy for Multi-Jurisdictional SEP Litigation' (2017) *University of Utah College of Law Research Paper No 209*, 1.

In the US, ASIs can be granted in equity and at the court's discretion. ASIs are issued by both state and federal courts barring the defendant from initiating proceedings before another state or federal court, an arbitration tribunal, or a foreign court. ASIs are, however, an extraordinary remedy and US courts will typically allow for overlapping proceedings to occur concurrently.

US courts may grant an ASI if two "threshold" requirements are first met: (i) the parties to the dispute are the same, and (ii) the adjudication of the US claim would be dispositive of the foreign claim. Beyond these threshold requirements US courts do not share a common approach regarding the issuance of an anti-suit injunction.

In the SEP context, the 9th Circuit affirmed in *Microsoft v. Motorola* a first-instance ruling barring Motorola from enforcing an injunction against Microsoft in Germany.² According to the court, the test for granting an ASI involves three steps. First, the court assessed whether the threshold requirements are met. Second, the court examined whether the *Unterweser*³ factors are met: the foreign litigation (i) may 'frustrate a policy of the forum issuing the injunction', (ii) is 'vexatious or oppressive', (iii) may 'threaten the issuing court's in rem or quasi in rem jurisdiction' and (iv) 'prejudice[s] other equitable considerations'. Third, the court assessed whether the issuance of an ASI would be 'intolerable' from an international comity perspective.

Anti-suit injunctions in Europe

In Europe, a divide between common law and civil law jurisdictions can be observed. UK courts appear willing to grant ASIs under certain circumstances.⁴ By contrast, in the EU ASIs are unlawful when interfering with court proceedings in another EU Member State under Article 29(1) of the EU Regulation 1215/2012 and the case law of the Court of Justice of the EU (CJEU).⁵

In addition, ASIs are not available under the codes of civil procedure in most civil law jurisdictions. Courts appear also instinctively negative towards interfering with the jurisdiction of a foreign court. This has led European courts to react promptly to ASIs interfering with their jurisdictions by issuing anti-anti-suit injunctions (AASIs). AASIs bar the seeking or/and enforcement of ASIs interfering with the court's jurisdiction.

More specifically, in France, the Paris Court of Appeal issued an AASI in *IPCom v. Lenovo*.⁶ According to the court, if an anti-anti-suit injunction was not granted, IPCom would essentially be deprived of its rights from its SEP in France under French patent law. Moreover, the US anti-suit injunction would inflict upon IPCom 'manifestly illicit harm' by barring the latter to file any new infringement action. In this case, IPCom's fundamental rights to property and effective judicial protection, under the EU Charter of Fundamental Rights and the European Convention on Human Rights (ECHR), would have been infringed.

In Germany, the Higher Regional Court of Munich and the District Court of Munich have consistently held that anti-suit injunctions unlawfully interfere with Nokia's property rights under §823(1) of the German Civil Code (BGB) in conjunction with §1004(1) BGB.⁷ According to the Munich courts, anti-suit injunctions hinder the patentee's exercise of (quasi-)property patent rights. In weighing the

² *Microsoft Corp v. Motorola, Inc*, 696 F.3d 872 (9th Cir 2012).

³ *In re Unterweser Reederei GMBH*, 428 F.2d 888, 896 (5th Cir 1970).

⁴ See, e.g., *Conversant Wireless Licensing SARL v. Huawei Technologies Co Ltd & Ors* [2018] EWHC 2549 (Ch), at [24].

⁵ See, Case C-159/02, *Gregory Paul Turner v. Felix Fared Ismail Grovit and others* [2004] ECLI:EU:C:2004:228.

⁶ *IPCom v. Lenovo*, Court of Appeal of Paris (Cour d'Appel de Paris), Case No RG 19/21426 (3 March 2020).

rights and interests of the parties, the proprietor's right to property is particularly important, especially since the infringer can raise a FRAND defence in German proceedings as per CJEU case law.

Anti-suit injunctions in China

In China, Chinese courts are increasingly willing to enter an ASI following the anti-suit injunction issued by the Supreme Court in *Huawei v. Conversant*.⁸ In its interim ruling, the Court provided guidance highlighting the following factors for lower courts to assess: (i) the impact of the foreign ruling on relevant open cases pending before Chinese courts, (ii) the necessity of adopting an anti-suit interim injunction, (iii) the balance of hardship between plaintiff and defendant, (iv) the impact of the ASI on public interest, and (v) the impact of the ASI on international comity.

The decision was immediately followed by the issuance of an ASI by the Wuhan Intermediate People's Court, in *Xiaomi v. InterDigital*.⁹ This was also the first case where a Chinese court was requested to set a global FRAND royalty rate for a SEP portfolio. The Wuhan court entered an ASI prohibiting InterDigital to (i) seek injunctive relief in any other jurisdiction for patents under review in the Chinese proceedings, and (ii) seek the determination by a foreign court of a FRAND rate covering the patents in suit. The Wuhan ASI appears substantially broader than the one previously issued by the PRC Supreme Court which narrowly targeted a specific decision that allegedly had an impact on the Chinese proceedings. In response to this ASI, the New Delhi High Court issued, in October 2020, an AASI against Xiaomi.¹⁰

Conclusion

The granting of ASIs for SEPs may have a negative impact on (i) international comity and the relations of mutual trust between national courts exercising their jurisdiction under law, (ii) respect and protection of the fundamental rights to property, access to justice and effective judicial protection, and (iii) in the FRAND context, the ability of patent holders to enforce their rights and obtain a fair compensation for their innovative contributions to standards.

⁷ See, *Nokia v. Daimler*, Higher Regional Court of Munich, Case No. 6 U 5689/19 (12 December 2019); *Nokia v. Continental*, Higher Regional Court of Munich, Case No. 6 U 5042/19 (12 December 2019); *Nokia v. Daimler*, Munich District Court, Case No. 21 O 9333/19 (2 October 2019).

⁸ *Huawei Technologies Co, Ltd v. Conversant Wireless Licensing SARL*, PRC Supreme Court, Case No. 732, 733, 734 Part 1/2019 (28 August 2020).

⁹ *Xiaomi v. InterDigital Inc*, Wuhan Intermediate People's Court.

¹⁰ *InterDigital Technology Corp v. Xiaomi Corp*, High Court of New Delhi, Case No. I.A. 8772/2020 in CS(COMM) 295/2020 (9 October 2020).