

How Parties Can Prep For Global FRAND Jurisdictional Battles

By **Brian Johnson** (February 4, 2021)

Parties that regularly dispute licensing commitments for standard-essential patents are no stranger to multijurisdictional conflicts. By their very nature, global standards — like LTE or Wi-Fi — are supported by global intellectual property, that is, patent families with counterparts in every major national market around the world.

When SEP holders and implementers fail to resolve licensing disputes covering these global SEP portfolios through negotiation, they frequently ask courts to step in. Courts are now commonly requested by parties to determine fair, reasonable and nondiscriminatory licensing terms for an SEP portfolio, either nationally or worldwide, and certain parties might even stipulate to abide by such determinations.



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That's where the conflict begins. Even when a court is merely requested to determine FRAND licensing terms for a particular country, global considerations often bleed into the analysis.

As U.S. District Judge William Orrick of the U.S. District Court for the Northern District of California aptly queried in *Huawei Technologies Co. Ltd. v. Samsung Electronics Co. Ltd.* in 2018, even when considering just U.S. patents:

How am I to adjudicate whether those offers were FRAND, if that determination depends on a valuation of global portfolios, and can only be made subsequent to finding each patent valid and essential to the standard?[1]

Faced with a similar consideration, in the 2020 case *Unwired Planet International Ltd. v. Huawei Technologies (UK) Co. Ltd.*, the U.K. Supreme Court determined that it has jurisdiction to set a global FRAND rate so long as the U.K. court does not purport to determine validity or infringement of a foreign patent.[2] Instead, a U.K. court may determine whether a party has breached its contractual FRAND obligations by following the industry standard practice of analyzing global SEP valuation for licensing terms.[3]

However, even if we accept the premise that a national court can determine FRAND licensing terms involving foreign patents, we still need to decide which court should make that decision. Parties seeking to secure their preferred venue have not only been racing to the courthouses, but have also been regularly requesting anti-suit injunctions, or ASIs, barring their opponents from litigating overlapping FRAND issues in another jurisdiction.

Perhaps foreseeably, these ASIs have recently been countered by ASIs of different jurisdictions and, on occasion, anti-anti-suit injunctions prohibiting other venues from later divesting their preferred court of jurisdiction. In various opinions, courts around the world appear to value different principles in evaluating their ability to decide global FRAND issues.

First to File

Historically, a key factor in determining whether to enjoin a foreign jurisdiction from litigating overlapping FRAND issues has been timing. In the 2012 *Microsoft Corp. v. Motorola Inc.* decision, the U.S. Court of Appeals for the Ninth Circuit affirmed the lower

court's ASI, upholding its finding that the timing of the litigation — filed months after the U.S. case — raises concerns of duplicative and vexatious litigation.[4]

But even when filing dates are much closer, the sequence remains important. Also in the Northern District of California, in granting a motion to enjoin an a Chinese lawsuit, Judge Orrick noted that the Northern District of California action — filed just a day earlier than the Chinese lawsuit — technically preceded the foreign suit and therefore would not "intolerably impact comity." [5]

More recently, other courts defied the premise that the sequence of lawsuits should be the deciding factor. In the December 2020 case *Ericsson Inc. v. Samsung* in the U.S. District Court for the Eastern District of Texas, after learning that a Chinese court had enjoined Ericsson from litigating in the Eastern District of Texas, Chief U.S. District Judge Rodney Gilstrap held that the order in which the suits were filed is not dispositive.[6] The Eastern District of Texas court emphasized that the Chinese court's order was issued *ex parte*, without giving Ericsson an opportunity to be heard.[7]

In the October 2020 *InterDigital Inc. v. Xiaomi Communication Technology Co. Ltd.* decision, the Delhi High Court apparently expressed similar concerns after the same Wuhan court ordered that the Indian case be dismissed.[8] There too, an anti-injunction application had been filed and granted without the opposing party being informed.[9]

Capabilities of the Forum

The Eastern District of Texas and Delhi courts' concerns about Wuhan raise yet another factor in determining the appropriate adjudicator of global FRAND disputes: the forum itself.

In *Ericsson v. Samsung*, for example, former Chief U.S. Circuit Judge Paul Michel filed an amicus brief rejecting the premise that a court should accede to the first-filed action, but instead consider which forum would provide the most judicious outcome.[10] He expressed concern over the Wuhan court's opportunity to issue a world-wide injunction with no meaningful opportunity to be heard, suggesting a "race to the bottom in terms of procedural protections of notice and process" for competing sovereignties.[11]

Samsung too, however, was armed with a former chief judge of the U.S. Court of Appeals for the Federal Circuit. Former Chief U.S. Circuit Judge Randall Rader declared that the China court system is led by experienced and sophisticated judges.[12] The Wuhan court in particular, he declared, is a specialized tribunal with competent judges with expertise in IP disputes, including FRAND disputes.[13]

Some courts have even expressed concerns over the capabilities of certain U.S. courts to cover FRAND disputes. For example, in the 2013 *Realtek Semiconductor Corp. v. LSI Corp.* decision, a Northern District of California court was confronted with cross-motions requesting, on one hand, an anti-suit injunction against a co-pending investigation at the U.S. International Trade Commission and, on the other, a stay of the district court litigation pending adjudication at the ITC.[14]

In choosing to enjoin rather than stay, the Northern District of California court believed it was the best forum to adjudicate FRAND, explaining that the ITC may only consider FRAND obligations in the context of a Section 337 violation and, unlike a district court, cannot also order monetary relief.[15]

The ability of the forum to handle foreign law has also become a deciding factor. For

example, standards promulgated by the European Telecommunications Standards Institute are governed under French law. Often, when disputes over ETSI standards are litigated, parties retain a French law expert to assist the court in navigating foreign legal issues. A French court, therefore, in the February 2020 decision *TCL Corp. v. Koninklijke Philips NV* highlighted its ability to resolve issues of French law in denying Philips' request to cede jurisdiction to a U.K. court.[16]

Importance of the Jurisdiction

A court's willingness to determine FRAND issues for a particular product may also be influenced by the significance of its countries' market for that product. It should be of little surprise, for example, that China would seek to position itself to adjudicate FRAND disputes over Chinese companies, like Huawei, ZTE Corp. and Xiaomi, who dominate sales of the Chinese market.

Indeed, even as the U.K. Supreme Court justified its own ability to decide a global FRAND rate for Huawei and ZTE, it was forced to acknowledge that the U.K. market comprises only 1% or less of each of their sales, while well over 50% of their sales come from China.[17] As a result, the U.K. court was forced to defend itself against accusations that it was setting itself up as a "de facto global licensing tribunal." [18]

A dichotomy in market share for competing jurisdictions can have a practical effect for the parties as well. A court's decision over FRAND licensing terms may only be as important as the market within that jurisdiction. In the 2015 *Vringo Infrastructure Inc. v. ZTE (UK) Ltd.* decision, a U.K. court described the concept of international coercion, where a defendant of one jurisdiction is forced to take a global SEP portfolio license in order to stave off a national injunction based on national patents.[19]

But if a party does not value a particular market, that could limit the court's coercive force. For instance, in the January 2020 *Philips v. ASUSTeK Computer Inc.* case, ASUS informed a U.K. court that it was prepared to submit to an injunction rather than move forward with a FRAND trial.[20]

Practical Considerations

A key takeaway here is that parties need to act quickly to obtain their preferred venue. Even if other factors are at play, timing matters. If a company is engaged in SEP licensing negotiations that have, or even might, result in court intervention, it's time to consider where it prefers litigation to occur. Like Ericsson in its legal dispute with Samsung, the fact is, a company may already have been sued but simply does not know about it. The sooner a company files its own complaint, the more likely it is that the complaint will prevail in competing requests for ASIs.

As for choosing a venue, potential litigants have an increasing number of options as courts worldwide express a willingness to decide FRAND issues. Already, courts in the U.S., U.K., China, France, India and other countries have thrown their hats into the ring. As always, favorable precedent and timing are important, but those should not be the only considerations.

To mitigate the likelihood that their preferred jurisdiction is not later subject to an ASI, companies must also look at the capabilities of the court, the importance of the market, and the choice of law for the standard-setting body as well.

Finally, parties should take care how they craft their complaint and defenses. As the U.K. Supreme Court identified, there are limits to how far a court can go when deciding issues pertaining to foreign patents.[21]

When evaluating requests for ASIs, courts have also looked carefully at the specific issues and remedies requested in each venue. Even when courts vie for jurisdictional authority over a FRAND dispute, they often do so with an eye toward comity and a desire to limit the impact of foreign actions.

By carefully tailoring their complaints, companies can limit the likelihood that a foreign court may identify an interference and attempt to divest the original court of its jurisdiction.

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[1] Huawei v. Samsung , Case No. 3:16-cv-02787-WHO, Order Granting Samsung's Motion for Antisuit Injunction (NDCA April 13, 2018).

[2] Unwired Planet International v. Huawei [2020] Bus LR 2422, [2020] UKSC 37 at ¶¶ 63-91 (August 26 2020).

[3] Id.

[4] Microsoft v. Motorola , 696 F.3d 872, 886 (9th Cir. 2012).

[5] Huawei v. Samsung, Case No. 3:16-cv-02787-WHO at 20 (NDCA April 13, 2018).

[6] Ericsson v. Samsung , Case No. 2:20-cv-380-JRG, Memorandum Opinion and Preliminary Injunction at *9 (January 11, 2021).

[7] Id.

[8] Ericsson v. Samsung, 2:20-CV-00380-JRG, Emergency Application for Temporary Restraining Order and Anti-interference Injunction Related to Samsung's Lawsuit Filed in the Wuhan Intermediate People's Court of China at pp. 4-5 (Dec. 28, 2020) (purporting to quote a translation of the Delhi High Court opinion).

[9] Id.

[10] Ericsson v. Samsung, Case No. 2:20-CV-00380-JRG, Brief of Amicus Curiae the Honorable Paul R. Michel (Ret.) in Support of Plaintiffs' Motion at p. 2-4 (Jan. 5, 2021).

[11] Id.

[12] Ericsson v. Samsung, 2:20-cv-380-JRG, Declaration of Randall R. Rader at ¶¶ 15-20 (EDTX Jan. 1. 2021).

[13] Id.

[14] Realtek Semiconductor Corp. v. LSI Corp. , 946 F.Supp.2d 998, 1010 (N.D. Cal. 2013).

[15] Id.

[16] TCL v. Philips Opinion (French).

[17] Unwired Planet International v. Huawei [2020] Bus LR 2422, [2020] UKSC 37 at ¶ 37 (August 26 2020).

[18] Id. at ¶¶ 66-6.

[19] Vringo Infrastructure Inv. v. ZTE (UK) LTD [2015] EWHC 214 (Pat); [2015] R.P.C. 23 at ¶¶ 91-112 (Jan. 30, 2015).

[20] Philips v. ASUS & HTC [2020] EWHC 29 (Ch) at ¶¶ 11-13 (Jan. 17, 2020).

[21] Unwired Planet International v. Huawei [2020] Bus LR 2422, [2020] UKSC 37 at ¶¶ 63-91 (August 26 2020).