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### FRAND Royalties, Anti-Suit Injunctions and the Global Race To The Bottom In Disputes Over Standards-Essential Patents

Jorge L. Contreras

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# ARTICLE

## THE NEW EXTRATERRITORIALITY: FRAND ROYALTIES, ANTI-SUIT INJUNCTIONS AND THE GLOBAL RACE TO THE BOTTOM IN DISPUTES OVER STANDARDS-ESSENTIAL PATENTS

JORGE L. CONTRERAS\*

### ABSTRACT

*National courts have long exercised extraterritorial authority over domestic entities whose conduct abroad is prohibited in the domestic jurisdiction. More recently, however, national courts have begun to use disputes over domestic patent rights as vehicles for shaping the global business arrangements of private parties, even absent any violation of national law. This phenomenon is particularly pronounced in the context of “fair, reasonable and non-discriminatory” (FRAND) licenses of patents that are essential to the manufacture and sale of standardized products. This essay explores the increasing extraterritorial effect of national judicial decisions on licenses for standards-essential patents, including recent instances in which courts in the U.S. and UK have sought to establish global FRAND royalty rates for parties engaged in national patent litigation. It also examines the increasing use of the anti-suit injunction, a powerful procedural tool that can enjoin parallel foreign proceedings while disputes are adjudicated in a first jurisdiction. The combination of national courts’ willingness to determine global patent licensing rates, coupled with the rising prevalence of the anti-suit injunction, threatens to cause a new “race to the bottom” among jurisdictions in this commercially significant area of the law.*

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\*Professor of Law, University of Utah S.J. Quinney College of Law. This article has benefitted from presentation and feedback at the 2019 *Boston University Journal of Science, Technology & Law* and *International Law Journal* Symposium on “Intellectual Property in a Globalized Economy: United States Extraterritoriality in International Business” and the 8<sup>th</sup> Annual International Intellectual Property Roundtable held at the Florida State University College of Law. The author is grateful for valuable comments and feedback from Bassem Awad, Maggie Chon, Tom Cotter, Graeme Dinwoodie, Rochelle Dreyfuss, Ed Lee, Mike Meurer, Lisa Ramsey, Josh Sarnoff, Marketa Trimble, and Peter Yu, among others.

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## INTRODUCTION

Today's markets for technology products — from smartphones to automobiles to pharmaceuticals — present a paradox for national dispute resolution systems. While such markets are inherently global in nature — with supply chains and distribution networks around the world — the power of national courts to exercise authority over participants in these markets is, by its very nature, confined to national borders. Despite this limitation, national courts have, in recent years, found ways to overcome or circumvent national constraints on their adjudicative power, generally by exercising leverage against the local operations of multinational firms within their jurisdictions.<sup>1</sup> As a result, local actions have taken on extraterritorial scope, and national courts have expanded capabilities and incentives to influence the behavior of private parties beyond their borders.

Of course, the extraterritorial reach of national law has long been an established feature of many legal regimes. U.S. companies, for example, may be subject to civil and criminal penalties for bribing foreign governmental officials,<sup>2</sup> for doing business in Cuba,<sup>3</sup> and for failing to report participation in international boycotts.<sup>4</sup> More broadly, certain conduct of domestic entities abroad can be prosecuted under criminal,<sup>5</sup> tax,<sup>6</sup> and antitrust laws.<sup>7</sup> In addition, intellectual property law — copyright, trademark and patent — also reaches beyond national borders in a growing list of areas including patent exhaustion, copyright first sale, and damages for overseas sales.<sup>8</sup> In the vast majority of these

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<sup>1</sup> Some argue that a similar trend toward extraterritorial remedies exists with regard to national enforcement agencies, particularly in the area of competition law. *See, e.g.*, Koren Wong-Ervin, *Warnings Against Global Patent Licensing Remedies*, LAW360, (Dec. 11, 2017, 8:50 PM EST), <https://www.law360.com/articles/993603/warnings-against-global-patent-licensing-remedies> (collecting sources from OECD conference critiquing extraterritorial remedies imposed by national competition law agencies in standards-related matters). While related, agency enforcement activity is beyond the scope of this essay.

<sup>2</sup> Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-1 (2012).

<sup>3</sup> Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (Helms—Burton Act), 22 U.S.C. §§ 6021-6091 (2019).

<sup>4</sup> I.R.C. § 999 (1997).

<sup>5</sup> Michael Farbiarz, *Extraterritorial Criminal Jurisdiction*, 114 MICH. L. REV. 507, 508 (2016).

<sup>6</sup> Robert T. Cole et al., *Extraterritorial Effects of United States Tax Laws*, 12 INT'L. LAWYER 581, 582 (1978).

<sup>7</sup> Roger P. Alford, *The Extraterritorial Application of Antitrust Laws: The United States and European Community Approaches*, 33 VA. J. INT'L L. 1, 6 (1992).

<sup>8</sup> *See, e.g.*, Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 WM. & MARY L. REV. 711, 743-744 (2009) (examining European copyright and trademark cases); Amy L. Landers, *U.S. Patent Extraterritoriality within the International Context*, 36 REV. LITIG. 28, 28-31 (2016) (exploring historical and treaty perspectives); Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92(4) NOTRE DAME L. REV. 1745, 1779

cases, national courts seek to exercise extraterritorial authority over domestic entities when the foreign conduct in question is illegal or will cause harm in the domestic jurisdiction (*e.g.*, bribery, price fixing, tax avoidance), or has legal effect in the domestic jurisdiction (*e.g.*, foreign publications invalidating domestic patent rights and the exhaustion of domestic patent or copyright rights through foreign sales). However, national courts have only recently begun to use disputes over domestic patent rights as vehicles for shaping the global business arrangements of private parties, absent any violation of national law.

The contracts in question concern the licensing of patents required to manufacture and sell products complying with global interoperability standards such as Wi-Fi and 3G/4G/5G wireless connectivity. Under the policies of the trade associations in which these standards are developed — broadly known as standards development organizations or “SDOs” — participants often agree to license their patents to producers of standardized products on terms that are royalty-free or, in the alternative, which bear royalties that are fair, reasonable and non-discriminatory (“FRAND”).<sup>9</sup> However, because the meaning of FRAND is not widely agreed upon throughout the industry, disputes often arise regarding royalty rates and other terms that patent holders must offer to potential licensees.<sup>10</sup>

This essay explores the increasing extraterritorial effect of national judicial actions in the global wireless telecommunications market — specifically the so-called “smart phone wars” and disputes over standards-essential patents. In particular, this essay focuses on the willingness and ability of national courts to fashion private global licensing arrangements on the basis of an alleged breach of the patentee’s FRAND commitment and the licensee’s alleged infringement of one or more domestic patents. This type of extraterritorial judicial contract formation stands in stark contrast to the judicial resolution of typical international contract disputes, in which courts determine whether or not a party has breached its contractual obligations and, if so, what remedy — monetary or injunctive — is warranted. Likewise, these efforts differ from judicial interpretations of the governing law of international contracts, which, while

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(2017) (discussing extraterritorial patent damages under 35 U.S.C. §§ 284, 271(a) and (f)); Sapna Kumar, *Patent Damages Without Borders*, 25 TEX. INTELL. PROP. L.J. 73, 105-106 (2017) (comparing patent law and the law of the sea); Marketa Trimble, *The Territorial Discrepancy between Intellectual Property Rights Infringement Claims and Remedies*, 23 LEWIS & CLARK L. REV. (2019) (discussing Canadian judicial remedy against Google’s worldwide operations), P. Sean Morris, *From Territorial to Universal—The Extraterritoriality of Trademark Law and The Privatizing of International Law*, 37 CARDOZO ARTS & ENT. L.J. 33 (2019) (analysing extraterritoriality under trademark law).

<sup>9</sup> See Jorge L. Contreras, *Fixing FRAND: A Pseudo-Pool Approach to Standards-Based Patent Licensing*, 79 ANTITRUST L.J. 47 (2013).

<sup>10</sup> See generally Chryssoula Pentheroudakis & Justus A. Baron, *Licensing Terms of Standard Essential Patents: A Comprehensive Analysis of Cases*. JRC Science for Policy Report EUR 28302 (2017) (cataloging FRAND litigation around the world).

undoubtedly affecting international commercial arrangements, do not actually create the very obligations between the parties.

With the exception of the FRAND cases discussed herein, national courts have seldom sought to reform, or create, private contractual arrangements that extend beyond their national borders and involve patents over which they otherwise lack adjudicatory power. This trend presents a new and potentially problematic species of extraterritorial authority that national courts have asserted, both in the U.S. and abroad.

The remainder of this essay proceeds as follows: Part I discusses recent instances in which national courts in the U.S. and UK have sought to establish global royalty rates for parties in resolving national patent litigation. Part II discusses the anti-suit injunction, a procedural tool increasingly invoked by parties and employed by courts to enjoin parallel foreign proceedings in FRAND disputes. Part III explores the possibility that these trends are leading to a global race to the bottom among jurisdictions and a race to the courthouse among litigants. This essay concludes with an assessment and proposed solutions.

## I. GLOBAL FRAND RATE DETERMINATIONS

Courts adjudicating FRAND royalty rates must make a choice grounded in contradiction. On one hand, patents are established under national law and, by definition, have legal effect only in the issuing jurisdiction.<sup>11</sup> On the other hand, the parties to FRAND disputes are often multinational corporations with operations (and patents) in jurisdictions around the world. In determining a FRAND royalty rate, a court must decide whether to focus only on the patents issued and asserted in its own jurisdiction, or to consider the global business relationship between the parties. In several such cases, the courts have limited their FRAND rate determinations to the patents before them. However, a number of courts have evidenced a willingness to specify the details of a global FRAND license between the parties, thus covering not only their national patents, but other patents around the world that are subject to the licensor's FRAND commitment. Part I of this essay briefly discusses cases adopting the traditional approach of assessing royalties for in-country patents only, and then analyzes in greater detail those recent cases in which courts have elected to establish global FRAND royalty rates.

### A. National Royalty Determinations

The traditional U.S. approach to damages in patent cases is to assess a reasonable royalty for infringing products made, used or sold. Cases involving FRAND royalty determinations are somewhat different, as the court-assessed royalty rates in such cases are not necessarily intended as compensatory damages, but as the rates that the patent holder should have offered to the

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<sup>11</sup> See, e.g., Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 NOTRE DAME L. REV. 1745, 1745 (2017).

infringer under its FRAND commitment.<sup>12</sup> Thus, the outcome of such a determination is often the issuance of a license by the patent holder to the infringer, and the infringer's payment of back royalties for the period prior to the issuance of the license.

U.S. district courts followed this pattern in two of the first adjudicated FRAND royalty disputes, *Microsoft v. Motorola*<sup>13</sup> and *Innovatio*.<sup>14</sup> In both of these cases, which have been the subject of extensive discussion,<sup>15</sup> the courts analyzed only the U.S. patents before them, with little discussion of patents or royalties in other jurisdictions.<sup>16</sup>

More recently, in *Optis Wireless Tech., LLC, v. Huawei Device Co. Ltd.* (“*Optis v. Huawei*”),<sup>17</sup> a case involving patents declared as essential to European Telecommunications Standards Institute (“ETSI”)’s 4G LTE wireless telecommunication standard, the U.S. District Court for the Eastern District of Texas dismissed a motion by the patent holder, PanOptis,<sup>18</sup> seeking a declaration that its global licensing offer to Huawei complied with PanOptis’s FRAND

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<sup>12</sup> See *Microsoft v. Motorola* (Microsoft IV), 795 F.3d 1024, 1040 (9th Cir. 2015) (specifically noting that the case was “not a patent law action”). See also generally Jorge L. Contreras et al., *The Effect of FRAND Commitments on Patent Remedies*, in PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS, Ch. 5 (C. Bradford Biddle et al. eds., 2019) (presenting a more detailed discussion of this distinction and its application across jurisdictions).

<sup>13</sup> *Microsoft v. Motorola* (Microsoft III), 2013 U.S. Dist. LEXIS 60233 (W.D. Wash., 2013), *aff’d* 795 F.3d 1024 (9th Cir. 2015).

<sup>14</sup> *In re. Innovatio IP Ventures LLC*, 2013 U.S. Dist. Lexis 144061, at \*49 (N.D. Ill. 2013).

<sup>15</sup> See generally, e.g., Norman V. Siebrasse & Thomas F. Cotter, *Judicially Determined FRAND Royalties*, in CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: COMPETITION, ANTITRUST, AND PATENTS, 365, 377 (Jorge L. Contreras ed., 2018). See also J. Gregory Sidak, *The Meaning of FRAND, Part I: Royalties*, 9 J. COMPETITION LAW & ECON. 931, 968-88 (2013).

<sup>16</sup> See *Innovatio*, 2013 U.S. Dist. LEXIS at \*43-44 (“[T]he court determines ... that the RAND rate to be paid to Innovatio for licensing Innovatio’s portfolio of nineteen 802.11 standard-essential patents is 9.56 cents for each Wi-Fi chip use or sold by the Manufacturers in the United States”) (emphasis added); *Microsoft III*, 2013 U.S. Dist. LEXIS 60233, at \*80 (noting that with respect to the H.264 standard, there were over 2,500 patents declared as essential worldwide, of which over 360 were issued in the U.S.); *id.* at \*134 (noting that “[b]roadcast television in the United States uses MPEG-2, not [the] H.264 [standard].”) (emphasis added).

<sup>17</sup> No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Tex. Jan. 18, 2018).

<sup>18</sup> PanOptis Patent Management LLC consists of a group of companies, including Optis Wireless Technology, LLC and Optis Cellular Technology, LLC, all of which are wholly-owned by Inception Holdings LLC. Unwired Planet, LLC and Unwired Planet International Limited are also members of the PanOptis corporate family. See Plaintiffs’ Emergency Motion for Antisuit Injunction and Request for Expedited Briefing at \*4, *Optis Wireless Tech., LLC, v. Huawei Device Co. Ltd.*, No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Tex. Jan. 18, 2018) [hereinafter *Optis Anti-Suit Motion*].

commitment.<sup>19</sup> Instead, Judge Gilstrap instructed the jury to assess a FRAND royalty rate only for the six U.S. patents in dispute, disregarding other patents held by PanOptis around the world.<sup>20</sup> In rejecting PanOptis's request, the magistrate judge (whose decision Judge Gilstrap adopted) reasoned that setting a global FRAND rate would be akin to adjudicating a foreign patent infringement claim, an action that "is almost always an abuse of discretion".<sup>21</sup> Nevertheless, as discussed in the following sections, many judges have not exercised this degree of judicial restraint.

*B. Vringo v. ZTE (UK - High Court (Patents) (2014))*

*Vringo v. ZTE* involved patents essential to the 2G, 3G, and 4G wireless telecommunications standards developed within ETSI.<sup>22</sup> Vringo, a patent assertion entity, purchased a group of patents covering these standards from Nokia, which had participated in the development of the standards.<sup>23</sup> Vringo acknowledged its obligation, inherited from Nokia, to license the patents on FRAND terms.<sup>24</sup>

ZTE, a Chinese manufacturer of telecommunications infrastructure equipment, allegedly infringed some of these patents.<sup>25</sup> In October 2012, Vringo brought patent infringement actions against ZTE around the world, including an action in the UK High Court for Patents.<sup>26</sup> The case in the High Court was

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<sup>19</sup> Order, *Optis Wireless Tech., LLC, v. Huawei Device Co. Ltd.*, No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Tex. Jan. 18, 2018) (adopting Report and Recommendation of Magistrate Judge Roy S. Payne) [hereinafter *Optis Order*]. For a discussion of other aspects of this case, see David Long, *Jury Awards Running Royalty for Willfully Infringed SEPs subject to FRAND Commitment (Optis v. Huawei)*, ESSENTIAL PATENT BLOG (Aug. 31, 2018), <https://www.essentialpatentblog.com/2018/08/jury-awards-running-royalty-infringed-seps-optis-v-huawei/> [<https://perma.cc/64SY-89VD>].

<sup>20</sup> Five of the six patents asserted were declared to be essential to the ETSI standard. See Final Jury Instructions at \*6, \*24, *Optis Wireless Tech., LLC, v. Huawei Device Co. Ltd.*, No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Tex. Jan. 18, 2018).

<sup>21</sup> Memorandum Opinion, Order, and Recommendations at \*2, \*15, *Optis Wireless Tech., LLC, v. Huawei Device Co. Ltd.*, No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Tex. Jan. 18, 2018).

<sup>22</sup> *Vringo, Inc. v. ZTE Corp.*, No. 14-cv-4988 (LAK), 2015 WL 3498634, at \*1 (S.D.N.Y. June 3, 2015).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* See generally Marc Sandy Block, *Transfers of Standards Essential Patents*, in CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: COMPETITION, ANTITRUST, AND PATENTS, ch. 14 (Jorge L. Contreras, ed., 2018) (discussing the transferability of FRAND commitments following a transfer of the underlying patents).

<sup>25</sup> *Vringo*, 2015 WL 3498634, at \*1.

<sup>26</sup> See generally *Vringo v. ZTE* [2014] EWHC (Pat) 3924 (Eng.). See also David L. Cohen, *A Short History of Vringo's Battle with ZTE*, LINKEDIN (Oct. 11, 2017) <https://www.linkedin.com/pulse/short-history-vringos-battle-zte-david-l-cohen/>



adjudicated by the Hon. Mr. Justice Birss who, in November 2014, found that one of the UK patents that Vringo asserted against ZTE was both valid and essential to the ETSI 3G and 4G standards.<sup>27</sup> Accordingly, a full trial was scheduled for June 2015 to consider issues of infringement and the entry of an injunction.<sup>28</sup> Vringo, however, moved to stay the patent trial until after a later hearing scheduled for early 2016, in which issues surrounding Vringo's FRAND commitment were to be resolved.<sup>29</sup>

Vringo wished to postpone the patent trial with ZTE to first determine whether the license that Vringo had offered to ZTE complied with Vringo's FRAND commitment to ETSI.<sup>30</sup> Vringo reasoned that if the license offer was in fact FRAND and ZTE refused it, then Vringo should automatically be entitled to an injunction in the UK under its patent which, in 2014, was found to be valid and essential to the ETSI standards, given that ZTE's products clearly implemented those standards.<sup>31</sup>

In this case, the license that Vringo offered to ZTE was a global portfolio license covering all of Vringo's relevant patents world-wide (presumably to resolve the parties' global litigation).<sup>32</sup> Vringo argued that global portfolio licenses are the norm in the industry, an assertion that Mr. Justice Birss accepted.<sup>33</sup> ZTE, however, rejected Vringo's global licensing offer, arguing that with respect to the action in the UK, ZTE need only obtain a license under Vringo's valid UK patents, and not the other patents at issue throughout the world.<sup>34</sup>

In denying Vringo's request to postpone the June 2015 patent trial, Mr. Justice Birss highlighted Vringo's insistence on offering ZTE a global license rather than a license limited to the UK.<sup>35</sup> He first rejected Vringo's argument that ZTE's failure to accept a global license indicated that ZTE was an unwilling infringer who should be subject to an injunction.<sup>36</sup> He noted that:

[J]ust 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

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[<https://perma.cc/S7C9-D6RS>] (providing an overview of the worldwide patent dispute between Vringo and ZTE).

<sup>27</sup> Vringo v. ZTE [2014] EWHC (Pat) 3924 [156]-[157] (Eng.).

<sup>28</sup> Vringo v. ZTE [2015] EWHC (Pat) 214 [101] (Eng.).

<sup>29</sup> *Id.* at [102].

<sup>30</sup> *Id.* at [105].

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at [103].

<sup>33</sup> *Id.* at [107].

<sup>34</sup> *Id.* at [104].

<sup>35</sup> *Id.* at [105]-[106], [113].

<sup>36</sup> *Id.* at [105]-[107]. The European Court of Justice held in *Huawei Tech. Co. v. ZTE Corp.*, that a patent holder subject to a FRAND commitment may violate EU competition law if it seeks an injunction against an infringer that is willing to accept a license on FRAND terms. *See generally* C-170/13, 2015 E.C.R. 477.

terms which could be FRAND. It seems to me that there is likely to be a FRAND rate for [the UK patent].<sup>37</sup>

Accordingly, if Vringo had offered ZTE a FRAND license for the UK patent alone, and ZTE rejected that license, Vringo might indeed be entitled to an injunction.<sup>38</sup> However, as Vringo had only offered ZTE a global license, even if that global license were FRAND, the court could not find ZTE to be an unwilling licensee.<sup>39</sup> Doing so, in fact, would facilitate a form of “international coercion” in which the threat of an injunction in the UK could be used to force a licensee to acquire — *i.e.*, pay for — undesired rights in other jurisdictions.<sup>40</sup> For this and other reasons Mr. Justice Birss rejected Vringo’s argument that its only obligation under its FRAND commitment was to offer a global license that was on FRAND terms.<sup>41</sup>

C. *Unwired Planet v. Huawei (UK - High Court (Patents) (2017))*

In *Unwired Planet v. Huawei*,<sup>42</sup> Unwired Planet, a U.S.-based patent assertion entity,<sup>43</sup> sued Huawei for infringement of six UK patents that it acquired from Ericsson,<sup>44</sup> two of which the court found essential to ETSI’s 2G, 3G and 4G

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<sup>37</sup> Vringo v. ZTE, [2015] EWHC (Pat) 214 [107] (Eng.) (emphasis added).

<sup>38</sup> *Id.* at [109].

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* at [108]-[109].

<sup>41</sup> *Id.* at [107].

<sup>42</sup> Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd. (Unwired Planet I) [2017] EWHC (Pat) 711 (Eng.), *aff’d* Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd. (Unwired Planet II) [2018] EWCA (Civ) 2344 (Eng.) As of this writing, leave to appeal to the UK Supreme Court has been granted. Unwired Planet Int’l Ltd. v. Huawei Techs. (UK) Co Ltd., Order (Sup. Ct. UK, Apr. 11, 2019), *available at* <http://www.fosspatents.com/2019/04/supreme-court-of-uk-grants-huaweis.html>. For additional discussion and analysis of this case, *see generally* Jorge L. Contreras, *Global Markets, Competition and FRAND Royalties: The Many Implications of Unwired Planet v. Huawei*, ANTITRUST SOURCE, Aug. 2017, at 1 [hereinafter Contreras, *Global Markets*]; J. Gregory Sidak, *Why Unwired Planet Might Revolutionize the Resolution of FRAND Licensing Disputes*, 3 CRITERION J. INNOVATION 601 (2018) [Sidak, *Unwired Planet*]; Thomas F. Cotter, *Some Thoughts on Unwired Planet v. Huawei*, COMPARATIVE PATENT REMEDIES BLOG (Apr. 17, 2017), <http://comparativepatentremedies.blogspot.com/2017/04/some-thoughts-on-unwired-planet-v-huawei.html> [<https://perma.cc/XA2T-X8LH>].

<sup>43</sup> Unwired Planet is an affiliate of PanOptis. *See* Optis Anti-Suit Motion, *supra* note 18, at \*4. The UK litigation discussed here is part of a global patent battle waged by PanOptis and its affiliates against Huawei in the U.S., UK, Germany, China and other countries. *Id.* at \*1, \*3.

<sup>44</sup> Ericsson is a Swedish telecommunications company. *See About us*, ERICSSON, <https://www.ericsson.com/en/about-us> [<https://perma.cc/L9R7-6FPJ>] (last visited Apr. 6, 2019).

wireless telecommunications standards.<sup>45</sup> As Ericsson had participated in development of the standards at ETSI, the court considered the patents to be encumbered by Ericsson's FRAND commitment to ETSI.<sup>46</sup>

Unwired Planet sued Huawei, among others, for infringement of these patents in the UK and sought an injunction preventing Huawei from selling infringing products (such as smartphones and tablets) in the UK.<sup>47</sup> Huawei argued that it was entitled under the terms of Unwired Planet's (*i.e.*, Ericsson's) FRAND commitment to ETSI to receive a license to practice the patents on FRAND terms.<sup>48</sup> As a result, it argued that Unwired Planet's prior licensing offers were not FRAND and thus in violation of European competition law.<sup>49</sup> In response, Unwired Planet requested that the court fashion a global FRAND license between the parties, and if Huawei did not accept the court-determined license, to issue an injunction against Huawei's sale of infringing products in the UK.<sup>50</sup>

Huawei responded that the UK court could not and should not enforce non-UK patent rights, and instead should determine only the relevant FRAND royalty as to Unwired Planet's two valid UK patents.<sup>51</sup> Huawei further argued that Unwired Planet's insistence on a global license, when only two UK patents were at issue, constituted a violation of European competition law inasmuch as Unwired Planet sought to use its dominant position in the UK to tie unwanted global patents to its UK patents.<sup>52</sup>

Like *Vringo v. ZTE*, *Unwired Planet* went before Mr. Justice Birss. In *Unwired Planet*, however, the judge reversed his previous position regarding global versus UK-only licensing.<sup>53</sup> Responding favorably to Unwired Planet's offer of a global license, he first observed that the ETSI standards in question are intended for use around the world, both by equipment manufacturers and by consumers.<sup>54</sup> Next, he noted that "the vast majority" of standards-related

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<sup>45</sup> *Unwired Planet I* [2017] EWHC (Pat) 711, at [1]. Unwired Planet originally brought suit under six patents, five of which were alleged to be essential to the standards in question, and two of which were ultimately found to be essential to those standards. *Unwired Planet II* [2018] EWCA (Civ) 2344, at [6]-[7].

<sup>46</sup> The court reached this conclusion without discussion, citing Article 6.1bis of the ETSI IPR policy, which notes that an ETSI participant's FRAND undertaking "should be binding on successors in title." *Unwired Planet I* [2017] EWHC (Pat) 711 at [87(i)]. *See also generally* Block, *supra* note 24 (discussing transfer of FRAND obligations).

<sup>47</sup> *Unwired Planet I* [2017] EWHC (Pat) 711, at [23(i)].

<sup>48</sup> *Id.* at [23(ii)].

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at [23(i)].

<sup>51</sup> *Id.* at [526].

<sup>52</sup> *Id.* ("Huawei submitted that it is a fundamental principle of EU competition law that a dominant undertaking cannot tie or bundle together, with a product or service in respect of which it holds a dominant position, some other product or service which does not fall within the same market.").

<sup>53</sup> *See Vringo v. ZTE* [2014] EWHC (Pat) 3924 [108]-[109] (Eng.).

<sup>54</sup> *Unwired Planet I* [2017] EWHC (Pat) 711, at [91].

licenses in the industry, including all of the comparable licenses introduced at trial, were granted on a worldwide basis, with only occasional exclusions.<sup>55</sup>

He then emphasized that both Unwired Planet and Huawei were global enterprises.<sup>56</sup> Mr. Justice Birss thus concluded that “a licensor and licensee acting reasonably and on a willing basis would agree on a worldwide licence.”<sup>57</sup> He considered the prospect of two large multinational companies agreeing to country-by-country licensing — the very arrangement that he seemingly advocated in *Vringo* — to be “madness.”<sup>58</sup> With regard to Huawei’s claim that Unwired Planet’s insistence on a global license contradicted EU competition law, Mr. Justice Birss again relied on the commonplace nature of worldwide FRAND licenses to conclude that such licenses were unlikely to have anticompetitive effects or to distort competition.<sup>59</sup>

Huawei also contended that a UK-determined worldwide license would limit a licensee’s ability and incentive to challenge patents in other countries — notably Germany, where Huawei was actively challenging Unwired Planet’s patents.<sup>60</sup> Furthermore, Huawei suggested that once the licensee committed to pay royalties worldwide, it effectively admits the validity of the patents around the world.<sup>61</sup> Mr. Justice Birss rejected that argument, noting that “[a] FRAND licence should not prevent a licensee from challenging validity or essentiality of licensed patents and should have provisions dealing with sales in non-patent countries” — *i.e.*, excusing the payment of royalties in countries in which no valid patents subsist.<sup>62</sup>

Accordingly, and in direct contradiction with his prior reasoning in *Vringo*, Mr. Justice Birss held that a FRAND license can *only* be a worldwide license.<sup>63</sup> Mr. Justice Birss distinguished his holding from *Vringo* in that the cases were “not dealing with the same problem,” and admitted that “what seemed clear to [in *Vringo* did] not seem . . . as clear cut” in *Unwired Planet*.<sup>64</sup>

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<sup>55</sup> See *id.* at [534]. Some comparable licenses, for example, excluded China. *Id.*

<sup>56</sup> *Id.* at [538].

<sup>57</sup> *Id.* at [543].

<sup>58</sup> *Id.*

<sup>59</sup> *Unwired Planet I* [2017] EWHC (Pat) 711, at [535].

<sup>60</sup> *Id.* at [536], [565]-[567].

<sup>61</sup> *Id.* at [536].

<sup>62</sup> *Id.* at [567].

<sup>63</sup> *Id.* at [572] (A “licence with a UK only scope is not FRAND.”).

<sup>64</sup> *Id.* at [560]. Specifically, he expressed concern that if both a global license and a UK-only license could be FRAND, courts would not be able to pinpoint a single FRAND royalty rate to resolve the dispute, and lamented that “if . . . both kinds of licence — UK only and worldwide — are FRAND in the circumstances of this case then FRAND cannot be enforced at all.” *Id.* at [561].

The court next determined the FRAND royalty rates that Huawei should pay to Unwired Planet on a global basis.<sup>65</sup> The court first computed a “benchmark” FRAND royalty rate for the patents covering each standard at issue.<sup>66</sup> Next, the court determined a specific royalty rate for three different groups: (1) Major Markets; (2) Other Markets; and (3) China.<sup>67</sup> The court held that Major Markets were those countries in which Unwired Planet held more than two or three patents covering at least one of the standards at issue.<sup>68</sup> The court applied the benchmark rate in Major Markets<sup>69</sup> and, with little explanation, a rate equal to 50% of the benchmark rate to China and Other Markets.<sup>70</sup>

Huawei appealed the High Court’s decision on several grounds.<sup>71</sup> However, the Court of Appeal rejected Huawei’s arguments —affirming the High Court’s ruling and global FRAND rate determination.<sup>72</sup> The Court of Appeal reasoned that the High Court’s decision did not seek to usurp any foreign court’s determination as to patents in its own country.<sup>73</sup> Rather, the decision related solely to a global agreement between Huawei and Unwired Planet and thus, no issue of comity was raised, nor was any implication created with respect to

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<sup>65</sup> See *id.* at [582]-[592]. A detailed discussion of the complex and painstaking royalty calculation method followed by Mr. Justice Birss in *Unwired Planet I* is beyond the scope of this essay. For more information on this matter, see, generally, Contreras, *Global Markets*, *supra* note 42, at 8-11; Sidak, *Unwired Planet*, *supra* note 42; Siebrasse & Cotter, *supra* note 15, at 386-89.

<sup>66</sup> *Unwired Planet I* [2017] EWHC (Pat) 711, at [586], [807(8)].

<sup>67</sup> *Id.* at [587], [807(13)].

<sup>68</sup> *Id.* at [587]. Major Markets included France, Germany, India, Japan, UK, U.S., Canada, Italy, Spain, Taiwan, Ireland, Netherlands, New Zealand, Switzerland, Argentina, Australia and South Korea. *Id.*

<sup>69</sup> *Id.* at [587], [591].

<sup>70</sup> *Id.* at [583], [589] (“The appropriate rate for China is not complicated to arrive at. The comparable licences show that rates are often lower in China than for the rest of the world. The relative factor varies. I find that a FRAND licence would use a factor of 50%. . . . The rate of [Other Markets] countries would be the China rate on the basis that the products are made in China under licence.”)

<sup>71</sup> Huawei challenged three rulings of the lower court on appeal including: (1) the determination of FRAND royalty rates on a global basis; (2) the imposition of a royalty rate that substantially differed from that charged to another similarly-situated licensee, Samsung, under the non-discrimination prong of Unwired Planet’s FRAND commitment; and (3) the failure to require Unwired Planet to comply with the European Court of Justice’s procedural framework established in *Huawei v. ZTE*, Case C-170/13, 2015 Bus L.R. 1261, before seeking an injunction against Huawei. *Unwired Planet II* [2018] EWCA (Civ) 2344, at [19]-[21]. In support of its challenges, Huawei argued that Mr. Justice Birss’s approach in *Unwired Planet I*: (i) . . . pays insufficient heed to the principle of comity or to the appropriate limitations on the exercise of the court’s powers in cases touching on foreign patents; (ii) . . . necessarily and wrongly presumes infringement of at least some valid SEPs in territories outside the UK; and (iii) . . . is contrary to public policy and disproportionate.

<sup>72</sup> *Id.* at [56], [74], [81], [99], [113], [290]-[291].

<sup>73</sup> *Id.* at [81].

infringement in any jurisdiction outside the UK.<sup>74</sup> The Court of Appeal further dismissed Huawei's concerns as to public policy and disproportionality, reiterating that the High Court-fashioned license "conform[ed] in its scope to normal practice in the industry" and that Unwired Planet had "always taken the position that in all the circumstances a FRAND licence would be a worldwide licence."<sup>75</sup> In sum, the Court of Appeal affirmed the High Court's ruling and allowed its global FRAND rate determination to stand.

The decision in *Unwired Planet* has been appealed to the UK Supreme Court,<sup>76</sup> but barring a reversal, other UK judges have indicated that they intend to follow that case's approach of adjudicating global licenses in FRAND cases.<sup>77</sup>

D. *TCL v. Ericsson (U.S. - C.D. Cal. (2017))*

Similarly, *TCL v. Ericsson* involved Ericsson's commitment to grant TCL, a Chinese manufacturer of low-cost smartphones, a license for patents essential to ETSI's 2G, 3G, and 4G wireless standards on FRAND terms.<sup>78</sup> Unlike Huawei in *Unwired Planet*, TCL voluntarily negotiated with Ericsson for a global portfolio license.<sup>79</sup> Accordingly, the U.S. District Court for the Central District of California took as a starting point the need to calculate FRAND royalty rates for a global portfolio license,<sup>80</sup> and was particularly sensitive to regional variations in patent value.<sup>81</sup> Judge Selna, in his opinion, recognized that not all countries are created equal in terms of patent portfolio strength and that some variation in royalty rates among countries is warranted.<sup>82</sup> However, he went on to make the practical observation that courts are not equipped to "resolve disputes involving the technical nuances of patent law in dozens of

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<sup>74</sup> *Id.* at [80]-[81], [88].

<sup>75</sup> *Id.* at [98], [104].

<sup>76</sup> *Unwired Planet Int'l Ltd. v. Huawei Techs. (UK) Co Ltd.*, Order (Sup. Ct. UK, Apr. 11, 2019), available at <http://www.fosspatents.com/2019/04/supreme-court-of-uk-grants-huaweis.html>.

<sup>77</sup> See, e.g., *TQ Delta, LLC v. Zyxel Commc'ns UK Ltd.* [2019] EWHC 353 (Pat) [25] (Carr J). ("In relation to global licences for FRAND/RAND cases, the principles have been very clearly set by the Court of Appeal, in particular in Lord Kitchin's judgment in *Unwired Planet v Huawei*.")

<sup>78</sup> *TCL Comm. Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. 8:14-cv-00341, 2017 WL 6611635, at \*2, \*4-\*6, \*22 (C.D. Cal., Dec. 21, 2017).

<sup>79</sup> *Id.* at \*6 ("TCL and Ericsson agreed to engage in a binding court adjudication of terms for a *worldwide portfolio license*.") (emphasis added).

<sup>80</sup> *Id.* at \*46-\*50.

<sup>81</sup> *Id.* at \*44-\*46 ("[T]o look at patent families in the abstract without regard to where actual patents are enforceable would result in a subsidy to consumers in countries where the SEP owner has more enforceable patents from consumers that are not legally obligated to pay such a royalty. In essence, a global patent rate that does not account for differences in national patent strength provides the SEP owner a royalty based on features that are unpatented in many jurisdictions.")

<sup>82</sup> *Id.*

jurisdictions,” and that as a result, when disputes and geographic disparities are insignificant, it is more practical for courts to use a generalized royalty structure for global adjudications.<sup>83</sup>

After considering extensive expert testimony regarding regional differences in Ericsson’s portfolio strength, the court divided the world into four regions: (1) China; (2) the United States, (3) Europe, and (4) the Rest of the World (“ROW”).<sup>84</sup> Next, Judge Selna adjusted the FRAND royalty rate by region and standard according to Ericsson’s portfolio strength.<sup>85</sup> Ultimately, the court arrived at the following comparative weighing of regional portfolio values:

Table 1<sup>86</sup>

FRAND Royalty Regional Adjustments in TCL v. Ericsson

	2G	3G	4G
United States	100%	100%	100%
Europe	72.2%	87.9%	n/a
China/ROW	54.9%	74.8%	69.8%

The court then spent considerable energy calculating the baseline FRAND royalty rate using both top-down and comparable license methodologies.<sup>87</sup> Thus, in *TCL v. Ericsson*, the U.S. court determined a global FRAND royalty rate, but in doing so gave at least some attention to national variations in patent strength and coverage. This decision has also been appealed.

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* at \*45-\*46.

<sup>85</sup> *Id.* Judge Selna noted that he would have preferred these proportions to be expressed by country rather than by region, but the expert testimony that was presented at trial only specified such results by region. *Id.* at \*45. Compare *id.*, with *Unwired Planet I* [2017] EWHC (Pat) 711, at [583] (finding, somewhat arbitrarily, a 50% reduction to the FRAND royalty in Minor Markets and China).

<sup>86</sup> *TCL Comm. Tech. Holdings*, 2017 WL 6611635, at \*45.

<sup>87</sup> See *id.* at \*46-50. The mechanics of this analysis are beyond the scope of this essay, but for a more detailed discussion and critique, see Jorge L. Contreras, *TCL v. Ericsson: The First Major U.S. Top-Down FRAND Royalty Decision*, PATENTLY-O BLOG (Dec. 27, 2018), <https://patentlyo.com/patent/2017/12/contreras-ericsson-decision.html> [<https://perma.cc/MKZ9-ZV7L>]. See also Fei Deng, Gregory K. Leonard & Mario A. Lopez, *Comparative Analysis of Court-Determined FRAND Royalty Rates*, 32 ANTITRUST, July 2018, at 47-49 (comparing differing top-down methodologies in *Unwired Planet v. Huawei* and *TCL v. Ericsson*); Peter Georg Picht, *FRAND Determination in TCL v. Ericsson and Unwired Planet v. Huawei: Same but Different?*, MAX PLANCK INSTITUTE FOR INNOVATION AND COMPETITION RESEARCH PAPER 18-07 (2018), <https://ssrn.com/abstract=3177975>; Thomas F. Cotter, *Thoughts on the TCL v. Ericsson FRAND Decision*, COMPARATIVE PATENT REMEDIES BLOG (Jan. 2, 2018), <http://comparativepatentremedies.blogspot.com/2018/01/thoughts-on-tcl-v-ericsson-frand.html> [<https://perma.cc/8FYV-8RQK>]. But see J. Gregory Sidak, *Judge Selna’s Errors in TCL v. Ericsson Concerning Apportionment, Nondiscrimination, and Royalties Under the FRAND Contract*, 4 Criterion J. Innovation 101 (2019) (criticizing decision).

*E. Conversant v. Huawei and ZTE (UK - High Court (Patents) (2018))*

Conversant is a Luxembourg patent assertion entity with principal operations in Canada and the United States.<sup>88</sup> It claims to hold patents that it acquired from Nokia and that are essential to ETSI standards in 40 countries.<sup>89</sup> For several years, Conversant engaged in negotiations to license its global portfolio of patents to Huawei and ZTE — both of which are Chinese mobile device manufacturers with global operations<sup>90</sup> and who have disputed whether any of Conversant’s patents are valid and essential to the ETSI standards.<sup>91</sup>

As a result, litigation commenced in several jurisdictions, including in the UK.<sup>92</sup> Conversant petitioned the court to declare that its global license offers to Huawei and ZTE complied with its FRAND obligations.<sup>93</sup> Huawei and ZTE then challenged the jurisdiction of the High Court — a challenge which was rejected on appeal.<sup>94</sup> As of this writing, leave to appeal to the UK Supreme Court has been granted.<sup>95</sup>

## II. STAYING INTERNATIONAL FRAND LITIGATION WITH ANTI-SUIT INJUNCTIONS

Anti-suit injunctions — “interlocutory remed[ies] issued by a court in one jurisdiction to prohibit a litigant from initiating or continuing parallel litigation in another jurisdiction” — are intended to contain litigation costs and reduce the likelihood of inconsistent results across jurisdictions by ensuring that issues are resolved in one jurisdiction before they are litigated elsewhere.<sup>96</sup> While anti-suit injunctions are available in Europe, they are primarily used in the United

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<sup>88</sup> Huawei Techs. Co. v. Conversant Wireless Licensing S.A.R.L. [2019] EWCA (Civ) 38 [7] (Eng.).

<sup>89</sup> *Id.* at [4], [7].

<sup>90</sup> *Id.* at [7]-[10].

<sup>91</sup> *Id.* at [11].

<sup>92</sup> *Id.*

<sup>93</sup> *Id.* at [20]-[23].

<sup>94</sup> *Id.* at [112].

<sup>95</sup> Huawei Techs. Co Ltd. v. Conversant Wireless Licensing SARL, Order (Sup. Ct. UK, Apr. 11, 2019), available at <http://www.fosspatents.com/2019/04/supreme-court-of-uk-grants-huaweis.html>.

<sup>96</sup> Jorge L. Contreras & Michael A. Eixenberger, *The Anti-Suit Injunction - A Transnational Remedy for Multi-Jurisdictional SEP Litigation*, in THE CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: COMPETITION, ANTITRUST, AND PATENT LAW 451 (Jorge L. Contreras ed., 2018). For more in depth discussion of anti-suit injunctions, see, generally, THOMAS RAPHAEL, THE ANTI-SUIT INJUNCTION (Oxford Univ. Press, 2008) (focusing on UK law); Richard W. Raushenbush, *Antisuit Injunctions and International Comity*, 71 VA. L. REV. 1039 (1985); Alexander Shaknes, *Anti-Suit and Anti-Anti-Suit Injunctions in Multi-Jurisdictional Proceedings*, 21 INTL. L. PRACTICUM 96 (2008); Daniel Tan, *Anti-Suit Injunctions and the Vexing Problem of Comity*, 45 VA. J. INTL. L. 283 (2005).



States.<sup>97</sup> There are a number of reasons that a prospective licensee might seek an anti-suit injunction, particularly in the context of standards. Such injunctions:

[C]an be particularly powerful tools for prospective licensees alleging that [patent] holders have failed to comply with their FRAND licensing commitments. Specifically, a court reviewing a [patent] holder's compliance with a FRAND licensing commitment may issue an anti-suit injunction to prevent the [patent] holder from bringing foreign patent infringement claims (including injunctions against the sale of infringing products) until the question of licensing terms has been resolved in the issuing jurisdiction.<sup>98</sup>

In the United States, there are some variations in the tests applied by different courts to assess the propriety of an anti-suit injunction.<sup>99</sup> Traditionally, however, courts purport to follow some variant of the three-part framework developed by the Ninth Circuit in *E. & J. Gallo Winery v. Andina Licores S.A.*<sup>100</sup> Under the *Gallo* framework, a court considering a request for an anti-suit injunction must first determine whether the parties and the issues in the action in which the injunction is sought (the local action) are functionally equivalent to those in the action sought to be enjoined (the foreign action).<sup>101</sup> If not, an injunction barring the parties from pursuing the foreign action would not reduce duplicative litigation, and would thus be unjustified. If the parties and the issues are functionally the same, the court must also determine whether resolution of the local action would be dispositive of the foreign action.<sup>102</sup> Generally, a court is unlikely to find that an anti-suit injunction is justified if the local action does not result in the resolution of the foreign action.<sup>103</sup> Second, the court must assess whether any of the four factors identified by the Fifth Circuit in *In re Unterweser*

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<sup>97</sup> See Contreras & Eixenberger, *supra* note 96, at 455.

<sup>98</sup> *Id.* at 451.

<sup>99</sup> Tan, *supra* note 96, at 289 (“[In the United States, t]here are two main approaches, neither providing a clear and workable test to guide the courts in the anti-suit injunction inquiry.”).

<sup>100</sup> See, e.g., *Microsoft Corp. v. Motorola, Inc. (Microsoft II)*, 696 F.3d 872, 881 (9th Cir. 2012) (examining the three-part inquiry established in *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984, 991 (9th Cir. 2006)).

<sup>101</sup> *Applied Med. Distrib. Corp. v. Surgical Co.*, 587 F.3d 909, 915 (9th Cir. 2009). Functionally equivalent parties can include parties that are members of the same corporate family, even if based in different jurisdictions. See, e.g., *APR Energy, LLC v. First Inv. Group Corp.*, 88 F.Supp.3d 1300, 1319 (M.D. Fla. 2015) (finding parent and subsidiary corporations to be “effectively the same” for anti-suit injunction proceedings). Functional similarity of issues depends upon whether “all the issues in the foreign action can be resolved in the local action.” *Microsoft II*, 696 F.3d at 882-83. The issues “need not be ‘precisely and verbally identical,’ as ‘the verbal form of laws in different countries will inevitably differ.’” *Id.* at 883; see also *Applied Med.*, 587 F.3d at 915.

<sup>102</sup> *Microsoft II*, 696 F.3d at 881.

<sup>103</sup> See *id.* at 888-89.

*Reederei*<sup>104</sup> are present. These factors include whether the foreign litigation 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>105</sup> Any of the four factors may justify the entry of an anti-suit injunction.<sup>106</sup> Finally, if at least one of these factors is present, the court must ask whether the injunction will have a significant impact on international comity.<sup>107</sup>

In addition to applying the *Gallo* analysis to assess the propriety of an anti-suit injunction, the U.S. district court in *Microsoft v. Motorola* considered the traditional four-factor analysis for preliminary injunctive relief.<sup>108</sup> However, on appeal, the Ninth Circuit essentially eliminated this extra step.<sup>109</sup>

As noted above, U.S. courts vary in their specific analyses of anti-suit injunctions. Below is a summary of the principal anti-suit injunction decisions relating to FRAND disputes both in the U.S. and the UK.

A. *Microsoft v. Motorola (U.S. - W.D. Wash. (2012))*

In *Microsoft v. Motorola (Microsoft I)*, Microsoft alleged that Motorola breached its commitment to offer Microsoft a patent license on FRAND<sup>110</sup> terms in violation of the policies of two SDOs, the International Telecommunications

<sup>104</sup> *In re Unterweser Reederei GmbH*, 428 F.2d 888, 890 (5th Cir. 1970), *aff’d on reh’g*, 446 F.2d 907 (5th Cir. 1971), *rev’d on other grounds sub nom. M/S Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1 (1972).

<sup>105</sup> *Id.*

<sup>106</sup> *Gallo*, 446 F.3d at 990 (“[I]f any of the four elements is present, an anti-suit injunction may be proper.”).

<sup>107</sup> *Id.* at 991 (“[W]e may rely on any of the *Unterweser* factors if it applies to the case and if the impact on comity is tolerable.”).

Comity is 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.

*Id.* at 994 (quoting *Hilton v. Guyot*, 159 U.S. 113, 164 (1895)).

<sup>108</sup> *Microsoft Corp. v. Motorola, Inc. (Microsoft I)*, 871 F. Supp. 2d 1089, 1097 (W.D. Wash. 2012), *aff’d*, *Microsoft II*, 696 F.3d 872 (9th Cir. 2012).

<sup>109</sup> “Ordinarily, we do not assess at all the likelihood of success on the merits in a case like this, because when a preliminary injunction is also a foreign anti-suit injunction, the likelihood-of-success aspect of the traditional preliminary injunction test is replaced by the *Gallo* test.” *Microsoft II*, 696 F.3d at 883-84. *See Order Granting Samsung’s Mot. for Antisuit Injunction at 7-8, Huawei Techs., Co., v. Samsung Elecs. Co., No 3:16-cv-02787-WHO (N.D. Cal. Apr. 13, 2018) (citing and following Microsoft II).*

<sup>110</sup> The SDO policies at issue in *Microsoft v. Motorola* required the licensing of patents on “reasonable and non-discriminatory” terms (RAND). *See Microsoft I*, 871 F.3d at 1093. However, for consistency of discussion, these are referred to as FRAND herein.

Union (ITU) and the Institute of Electrical and Electronics Engineers (IEEE).<sup>111</sup> When negotiations over the FRAND license requested by Microsoft broke down, Microsoft brought a breach of contract claim against Motorola in the U.S. District Court for the Western District of Washington.<sup>112</sup> Six months later, Motorola sued Microsoft for patent infringement in Germany.<sup>113</sup> The German court, finding infringement, enjoined Microsoft from selling infringing Xbox and laptop computer products in Germany.<sup>114</sup> In response, Microsoft sought an anti-suit injunction from the federal district court in Washington to prevent Motorola from enforcing the German injunction.<sup>115</sup>

Given that the two actions involved the same parties, the court first considered whether the issues in the U.S. and German cases were effectively the same.<sup>116</sup> Even though the suits technically involved different causes of action — breach of contract in the U.S. and patent infringement in Germany — the court determined that the resolution of the U.S. matter would be dispositive of the German matter.<sup>117</sup> The court reasoned that if Motorola were found in the U.S. to have breached its FRAND obligation to the relevant SDOs, then Motorola would not be entitled to seek injunctive relief against Microsoft in any jurisdiction, including Germany.<sup>118</sup>

Next, the district court asked whether “‘continuation of the foreign litigation would frustrate a policy of the forum issuing the injunction.’ . . . [Including] policies against avoiding inconsistent judgments, forum shopping and engaging in duplicative and vexatious litigation.”<sup>119</sup> Given that the issue of injunctive relief was before both courts, the district court considered the possibility of inconsistent judgments.<sup>120</sup> Further, the district court noted that Motorola’s various litigation tactics frustrated the court’s ability to properly adjudicate the

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<sup>111</sup> This dispute was related to two industry standards utilized in Microsoft’s XBox and laptop computer products: ITU’s H.264 advanced video coding standard and IEEE’s 802.11 Wi-Fi standard. *See id.* at 1093-95.

<sup>112</sup> *Id.* at 1089.

<sup>113</sup> *Id.* at 1096

<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *Id.* at 1098 (“Here the parties admit that for purposes of an anti-suit injunction the parties are the same.”).

<sup>117</sup> *Id.* at 1099-100.

<sup>118</sup> *Id.* In making this determination, it was particularly relevant that Motorola’s commitment to ITU required that it grant Microsoft a *worldwide* license under all of Motorola’s relevant patents, including those asserted in the German case. *See id.* at 1096.

<sup>119</sup> *Id.* at 1100 (citing *Applied Med. Distrib. Corp. v. Surgical Co.*, 587 F.3d 909, 918 (9th Cir. 2009)).

<sup>120</sup> *See id.*

issues before it.<sup>121</sup> Thus, this prong of the analysis also supported the grant of an anti-suit injunction.<sup>122</sup>

Finally, the court considered the potential impact of the proposed injunction on international comity, noting that the “[e]xtension of comity to a foreign judgment is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other.”<sup>123</sup> In this case, the court found that comity concerns should not prevent the entry of an anti-suit injunction as Motorola did not initiate its German action until six months after Microsoft brought an action in Washington.<sup>124</sup> Moreover, the court found that the suit was primarily a U.S. dispute lacking significant foreign issues and thus suggested that permitting the German injunction to stand could itself harm international comity.<sup>125</sup> Next, the court found that the traditional analysis for preliminary injunctive relief also weighed in favor of granting the injunction.<sup>126</sup> As a result, the district court entered the anti-suit injunction against Motorola.<sup>127</sup>

On appeal to the U.S. Court of Appeals for the Ninth Circuit, Motorola argued that Microsoft’s U.S. contract action would not necessarily resolve the German infringement action.<sup>128</sup> Specifically, the breach of contract claim focused on whether Motorola must offer FRAND terms in its initial royalty offer, rather than only in the ultimate license, and whether Motorola’s initial royalty offer to Microsoft constituted a breach of Motorola’s FRAND commitment to ITU.<sup>129</sup> As such, Motorola argued, the resolution of the U.S. action would not be dispositive the German action, and concerns of vexatious litigation and prejudice would not be implicated.<sup>130</sup>

Nevertheless, the Ninth Circuit affirmed the district court’s issuance of the anti-suit injunction.<sup>131</sup> Citing the terms of Motorola’s commitment to ITU, the court reasoned that “the face of the contract makes clear that it encompasses not just U.S. patents, but all of Motorola’s standard-essential patents worldwide.”<sup>132</sup> Therefore, regardless of how the FRAND royalty was ultimately calculated, Motorola’s contractual commitment was incompatible with seeking an injunction barring Microsoft’s sales in Germany.<sup>133</sup>

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<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.* at 1101 (quoting *Asvesta v. Petroustas*, 580 F.3d 1000, 1010-11 (9th Cir. 2009)).

<sup>124</sup> *Id.*

<sup>125</sup> *Id.* (relying on *Applied Med. Distribution*, 587 F.3d at 921).

<sup>126</sup> *Id.* at 1102-03.

<sup>127</sup> *Id.* at 1103-1104.

<sup>128</sup> *Microsoft II*, 696 F.3d at 883.

<sup>129</sup> *Id.* at 879.

<sup>130</sup> *Id.* at 885-86.

<sup>131</sup> *Id.* at 889.

<sup>132</sup> *Id.* at 884.

<sup>133</sup> *Id.* at 885.

B. *Vringo v. ZTE (U.S. — S.D.N.Y. (2015))*

*Vringo v. ZTE* involved a multi-jurisdictional dispute over patents essential to ETSI's 2G, 3G, and 4G wireless telecommunications standards.<sup>134</sup> Following the commencement of litigation, the parties began settlement discussions and entered into a mutual non-disclosure agreement (NDA).<sup>135</sup> Once negotiations deteriorated, ZTE filed an antitrust action in Shenzhen, China, claiming that Vringo's failure to grant ZTE a patent license on FRAND terms constituted an abuse of its market position.<sup>136</sup> In order to support its claim, ZTE presented information that had been exchanged between the parties during the time that the NDA was in place.<sup>137</sup> In response, Vringo brought a breach of contract action in the U.S. District Court for the Southern District of New York and sought an anti-suit injunction "[requiring] ZTE to withdraw its Shenzhen complaint and [enjoining] it from pursuing the same or similar claims in that court."<sup>138</sup>

The U.S. court declined to issue the requested anti-suit injunction, reasoning that the applicable threshold criteria had not been satisfied.<sup>139</sup> Although the parties to the two suits were the same, the court noted "[a] decision holding that ZTE breached the NDA would not necessarily foreclose the antitrust action in the Shenzhen court."<sup>140</sup> Specifically, "[t]he fact that 'ZTE use[d] Vringo's highly confidential opening offer as the basis for its claims that the offer constitutes an abuse of power' does not foreclose the possibility that ZTE provided or will provide the Shenzhen court with other evidence and reasons from which it could conclude that Vringo abused its market position."<sup>141</sup> Accordingly, the court rejected Vringo's motion for an anti-suit injunction.<sup>142</sup>

C. *TCL v. Ericsson (U.S. — C.D. Cal. (2015))*

*TCL v. Ericsson* involved patents required to implement ETSI's 2G, 3G and 4G wireless telecommunications standards.<sup>143</sup> TCL filed a contract claim against Ericsson in the United States District Court for the Central District of California "alleging that Ericsson breached its obligation to license [the patents at issue] to TCL on FRAND terms."<sup>144</sup> TCL also sought an anti-suit injunction to prevent

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<sup>134</sup> *Vringo, Inc. v. ZTE Corp.*, No. 14-cv-4988(LAK) 2015 WL 3498634, at \*1 (S.D.N.Y. June 3, 2015). *See also supra* Part I.B.

<sup>135</sup> *Id.* at \*3.

<sup>136</sup> *Id.* at \*6.

<sup>137</sup> *Id.* at \*7-\*8.

<sup>138</sup> *Id.* at \*11.

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> *Id.*

<sup>142</sup> *Id.*

<sup>143</sup> *TCL Comm'n Tech. Holdings v. Telefonaktienbolaget LM Ericsson*, No. 8:14-cv-00341-JVS-AN, 2015 U.S. Dist. LEXIS 191512, at \*10 (C.D. Cal. Jun. 29, 2015). *See also supra* Part I.C.

<sup>144</sup> *Id.* at \*4.

Ericsson from maintaining patent infringement actions against it under corresponding patents in France, Brazil, Russia, the UK, Argentina and Germany.<sup>145</sup>

In considering whether to grant TCL's anti-suit injunction, Judge Selna recognized that the parties were the same in both the California and the foreign actions.<sup>146</sup> Then, however, he dispensed with the remainder of the analysis, concluding instead that both parties "indicated their desire that this action should result in a 'global resolution' of the SEP patent licensing and damages claims."<sup>147</sup> Given the mutual desire to reach such a shared agreement, the court summarily granted TCL's request for an anti-suit injunction without further discussion.<sup>148</sup>

*D. Apple v. Qualcomm (U.S. — S.D. Cal. (2017))*

In 2017, Apple sued Qualcomm in the District Court for the Southern District of California, alleging sixty-three separate causes of action relating, among other things, to Qualcomm's licensing practices for patents essential to ETSI's 3G and 4G standards.<sup>149</sup> Shortly thereafter, Apple filed eleven additional actions against Qualcomm in the UK, Japan, China and Taiwan, each making similar allegations.<sup>150</sup> In response, Qualcomm sought an anti-suit injunction seeking to enjoy the foreign actions. Qualcomm argued that the foreign actions constituted "part of a single licensing dispute already before [the California] court" and were thus duplicative.<sup>151</sup>

The court disagreed, distinguishing the case from *Microsoft v. Motorola*, which Qualcomm relied heavily upon.<sup>152</sup> According to the court, the U.S. contractual dispute in *Microsoft* pertained to Motorola's alleged breach of its FRAND obligation to two SDOs.<sup>153</sup> If decided adversely to Motorola, that dispute would prevent Motorola from pursuing its infringement action against Microsoft in Germany.<sup>154</sup> In this case, however, it was Qualcomm, not Apple, that owed an obligation to the SDO.<sup>155</sup> As the court explained, "Apple, unlike

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<sup>145</sup> See *id.* at \*10-14. TCL also requested an anti-suit injunction against actions brought by Ericsson in the Eastern District of Texas. *Id.* at \*2, \*10-\*11. Since these involved different patents and issues than the foreign actions, the anti-suit injunction was denied by the court with respect to the Texas actions. *Id.* at \*15-\*16.

<sup>146</sup> *Id.* at \*17.

<sup>147</sup> *Id.* at \*18.

<sup>148</sup> *Id.* at \*19.

<sup>149</sup> Order Denying Anti-Suit Injunction, at 5-6, *Apple Inc. v. Qualcomm Inc.*, No. 3:17-cv-00108-GPC-MDD, (S.D. Cal., Sep. 7, 2017).

<sup>150</sup> *Id.* at 8.

<sup>151</sup> *Id.* at 10.

<sup>152</sup> *Id.* at 17-18.

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Id.* at 19.

Motorola and Qualcomm, has made no binding commitment that limits the relief that it may seek or how it may enforce that relief.”<sup>156</sup> Thus, the court concluded that Qualcomm “failed to demonstrate that the issues in Apple’s U.S. and foreign actions [were] functionally similar in the sense that an adjudication [of the claims] on the merits [before the U.S. court] would dispose of [Apple’s foreign antitrust, infringement or other claims].”<sup>157</sup> Likewise, the court found that none of the *Unterweser* factors applied in this case.<sup>158</sup> Despite Qualcomm’s protestations to the contrary, Apple’s foreign suits could be considered neither vexatious nor oppressive, as they were not unduly delayed or duplicative, and because Apple had a reasonable interest in challenging Qualcomm’s patents jurisdiction by jurisdiction.<sup>159</sup>

In addition, Qualcomm argued that allowing the foreign actions to proceed could require it to adjust its behavior by territory “to comply with potentially inconsistent rulings.”<sup>160</sup> However, the court observed that Qualcomm had already been subject to multiple rulings regarding its anticompetitive conduct in countries including China, Korea, Japan and Taiwan,<sup>161</sup> and had admitted to modifying its licensing practices to conform to those rulings country by country.<sup>162</sup> Finally, the court found that enjoining Apple’s foreign actions “would effectively deprive the relevant foreign courts of [their] jurisdiction to consider whether [Qualcomm’s licensing agreements] have anticompetitive effects” within their jurisdictions — a result intolerable to international comity.<sup>163</sup> Accordingly, the court denied Qualcomm’s request for an anti-suit injunction.<sup>164</sup>

*E. Conversant v. Huawei and ZTE (UK — High Court (Chancery) (2018))*

In this UK case, Conversant owned four UK patents alleged to be essential to the implementation of ETSI mobile telecommunication standards.<sup>165</sup> Conversant commenced a patent infringement suit against Huawei and ZTE, both Chinese manufacturers in July 2017,<sup>166</sup> requesting that the UK court determine FRAND terms for a license of its global portfolio of patents covering the ETSI standards.<sup>167</sup> Concurrently, ZTE brought an action in the Shenzhen Intermediate

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<sup>156</sup> *Id.*

<sup>157</sup> *Id.* at 22.

<sup>158</sup> *Id.* at 23.

<sup>159</sup> *See id.* at 23-26.

<sup>160</sup> *Id.* at 29.

<sup>161</sup> *Id.*

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 33-34.

<sup>164</sup> *Id.* at 34.

<sup>165</sup> *Conversant Wireless Licensing S.A.R.L. v. Huawei Techs. Co. Ltd. & Ors* [2018] EWHC (Pat) 808 [7] (Eng.).

<sup>166</sup> *Id.* at [4], [7].

<sup>167</sup> *Id.* at [7].

People's Court in China requesting a determination of the FRAND royalty rate for Conversant's Chinese patents and a declaration that Conversant's prior licensing offers violated its FRAND commitments.<sup>168</sup> In addition, ZTE "sought an injunction restraining Conversant from 'unfair, unreasonable, discriminatory overpricing and other acts which are in violation of the FRAND principle,'" including continuation of the English proceedings, and a finding of liability against Conversant for such acts.<sup>169</sup>

In response, Conversant alleged in the UK that ZTE's pleadings in the Shenzhen case "directly attacked, and sought relief in respect of, the proceedings before the English court . . . and sought to block and frustrate the English [p]roceedings."<sup>170</sup> Accordingly, Conversant requested an anti-suit injunction barring ZTE from prosecuting its conflicting claims in Shenzhen.<sup>171</sup> Soon thereafter, ZTE amended its Shenzhen complaint "to remove all claims for liability that might involve . . . damages or other financial relief . . . other than in relation to the FRAND royalty rate and FRAND licence terms for [Conversant's] Chinese [p]atents."<sup>172</sup>

The court explained that the English test for granting an anti-suit injunction depended on whether the foreign claims "were 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>173</sup> The court noted that, under the English test, the elements that ZTE had recently deleted from its Shenzhen complaint would have given rise to an anti-suit injunction.<sup>174</sup> However, in view of the amended complaint, no such injunction was required.<sup>175</sup>

On appeal, the Court of Appeal, though not addressing the Chancery Division's anti-suit injunction ruling, rejected Huawei's and ZTE's *forum non conveniens* challenge to the jurisdiction of the English courts to establish global FRAND rates.<sup>176</sup>

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<sup>168</sup> *Conversant Wireless Licensing S.A.R.L. v. Huawei Techs. Co. Ltd. & Ors* [2018] EWHC (Ch) 2549 [10]-[12] (Eng.).

<sup>169</sup> *Id.* at [12(ii)], [12(v)].

<sup>170</sup> *Id.* at [11].

<sup>171</sup> *Id.*

<sup>172</sup> *Id.* at [18].

<sup>173</sup> *Id.* at [24] (citing *Airbus v Patel* [1999] 1 AC 119 [133]-[140] (Eng.); *Aerospatiale v Lee Kui Jak* [1987] AC 871 [892]-[897] (Eng.)).

<sup>174</sup> *Id.*

<sup>175</sup> *Id.*

<sup>176</sup> *Huawei Techs. Co. Ltd. & Ors v. Conversant Wireless Licensing S.A.R.L.* [2019] EWCA (Civ) 38 [127] (Eng.).



*F. Optis v. Huawei (U.S. — E.D. Tex. (2018))*

In *Optis v. Huawei*,<sup>177</sup> PanOptis (an affiliate of Unwired Planet) brought suit against Huawei in the U.S. District Court for the Eastern District of Texas for the infringement of six U.S. patents that PanOptis obtained from Ericsson and Panasonic.<sup>178</sup> In addition to denying infringement, Huawei asserted that PanOptis breached its FRAND commitment to ETSI (which it inherited from Ericsson and Panasonic) with respect to five of the asserted patents that were allegedly essential to ETSI's 4G LTE standard.<sup>179</sup> Shortly thereafter, Huawei brought suit against PanOptis in the Shenzhen Intermediate People's Court in China, alleging breach of contract and antitrust violations.<sup>180</sup> In the Shenzhen action, Huawei asked the court to set the FRAND royalty rate for PanOptis's Chinese patents and to order that PanOptis cease all civil infringement actions against Huawei.<sup>181</sup> In response, PanOptis filed a motion in the Eastern District of Texas seeking an anti-suit injunction preventing Huawei from continuing its Chinese actions.<sup>182</sup>

In support of its motion, PanOptis first argued that the Chinese court's injunction, if issued, would interfere with the jurisdiction of the Texas court.<sup>183</sup> However, the District Court adopted the Magistrate Judge's report and rejected that argument based on Huawei's written representation that it would not seek such an injunction.<sup>184</sup> Next, PanOptis argued that Huawei's Chinese actions were "duplicitous [sic]" of the Texas actions and therefore "vexatious and/or oppressive".<sup>185</sup> The court rejected these arguments as well, noting that:

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<sup>177</sup> See *supra* Part I.C.

<sup>178</sup> Plaintiffs' Third Amended Complaint for Patent Infringement at 3, 6, 8, *Optis Wireless Tech., LLC v. Huawei Techs. Co. Ltd.*, No. 2:17-Cv-123-JRG-RSP (E.D. Tex. Apr. 14, 2017) [hereinafter *Optis Complaint*]. PanOptis and the other plaintiffs in this case are affiliates of Unwired Planet. *Optis Anti-Suit Motion*, *supra* note 18, at 4. However, the U.S. patents asserted in this action were not part of the global license fashioned by the UK court in *Unwired Planet v. Huawei*. See *supra* Part I.C.

<sup>179</sup> Defendants Huawei Device USA Inc., and Huawei Device Co., Ltd.'s Amended Answer to Plaintiffs' Third Amended Complaint for Patent Infringement at 32-33, *Optis Wireless Tech., LLC v. Huawei Techs. Co. Ltd.*, No. 2:17-Cv-00123-JRG-RSP (E.D. Tex. Sept. 15, 2017) [hereinafter *Huawei Answer to Optis*].

<sup>180</sup> *Optis Anti-Suit Motion*, *supra* note 18, at 3.

<sup>181</sup> *Id.* at 3-4.

<sup>182</sup> *Id.* at 1.

<sup>183</sup> *Id.* at 7.

<sup>184</sup> Report and Recommendation at 1, 3, *Optis Wireless Tech., LLC v. Huawei Techs. Co. Ltd.*, No. 2:17-Cv-00123-JRG-RSP (E.D. Tex. Apr. 24, 2018) [hereinafter *Optis Magistrate's Report on Anti-Suit Injunction*] adopted by Order, *Optis Wireless Tech., LLC v. Huawei Techs. Co. Ltd.*, No. 2:17-Cv-00123-JRG-RSP (E.D. Tex. May 14, 2018) [hereinafter *Order Denying Optis Anti-Suit Injunction*].

<sup>185</sup> *Optis Anti-Suit Motion*, *supra* note 18, at 8-9. In its Motion, PanOptis conflates some of the *Unterweser* factors with precursor elements of the test for the grant of anti-suit injunctions. See *id.* at 7-10. For example, it treats the duplication (incorrectly characterized

the Chinese actions only relate to Chinese patents. Thus, although there may be similar factual disputes about PanOptis's global offer, and whether that offer complied with its FRAND obligations, the scope of any relief awarded by this court or the Chinese court extends only as far as jurisdiction allows. There is nothing obviously vexatious or oppressive in allowing the lawsuits to proceed simultaneously, nor would any relief awarded by either court overlap with relief awarded by the other.<sup>186</sup>

Accordingly, the court denied PanOptis's motion for an anti-suit injunction.<sup>187</sup>

G. *Huawei v. Samsung (U.S. — N.D. Cal. (2018))*

Unlike several of the cases discussed above (*Unwired Planet v. Huawei, Optis v. Huawei*), in this case Huawei held patents that it claimed were essential to ETSI's 3G and 4G wireless standards.<sup>188</sup> In 2011, Huawei and Samsung began to negotiate a cross-license of their respective patents.<sup>189</sup> After failing to reach an agreement for several years, Huawei brought suit against Samsung in the Northern District of California, alleging that Samsung's products infringed eleven patents allegedly essential to the ETSI standards.<sup>190</sup> At the same time (or at most one day later, given time zone differences), Huawei filed suit against Samsung in the Shenzhen Intermediate People's Court in China.<sup>191</sup> Samsung answered and filed counterclaims in both the Northern District of California and Shenzhen.<sup>192</sup>

On January 11, 2018, the Shenzhen court found that Samsung infringed two of Huawei's Chinese patents (both counterparts of patents asserted in the U.S. action), that Huawei had complied with its FRAND commitments to ETSI, that Samsung did not comply with its own FRAND commitments and was largely responsible for the six-year delay in negotiations.<sup>193</sup> Accordingly, the Shenzhen court issued an injunction prohibiting Samsung from manufacturing and selling

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by PanOptis as duplicity) of issues under the "vexatious" prong of the *Unterweser* test, rather than as an initial requirement for such an injunction. *See id.*

<sup>186</sup> Optis Magistrate's Report on Anti-Suit Injunction, *supra* note 184, at 2. Since none of the *Unterweser* factors were present, the court did not address PanOptis's arguments regarding comity. *See id.*

<sup>187</sup> Order Denying Optis Anti-Suit Injunction, *supra* note 184.

<sup>188</sup> Compare Order Granting Samsung's Motion for Antisuit Injunction at 1, *Huawei Techs., Co, Ltd v. Samsung Elecs. Co, Ltd.*, No 3:16-cv-02787-WHO (N.D. Cal., Apr. 13, 2018) [hereinafter Order Granting Samsung's Motion for Antisuit Injunction] with *Huawei Answer to Opti*, *supra* note 179, at 32-33 and *Optis Anti-Suit Motion*, *supra* note 18, at 1.

<sup>189</sup> Order Granting Samsung's Motion for Antisuit Injunction, *supra* note 188, at 3.

<sup>190</sup> *Id.*

<sup>191</sup> *Id.* at 4 n.5 and accompanying text.

<sup>192</sup> *Id.* at 3-4.

<sup>193</sup> *Id.* at 5.

smartphones with 4G LTE functionality in China.<sup>194</sup> Samsung appealed the Chinese ruling on January 26, 2018 and, on February 1, filed a motion in the Northern District of California to enjoin Huawei from enforcing the Chinese injunction.<sup>195</sup>

In analyzing Samsung's motion for an anti-suit injunction, Judge Orrick in the Northern District of California first considered the similarity of the actions before the courts in the U.S. and China.<sup>196</sup> He agreed with Huawei's contention that the positions of the parties were reversed from that in *Microsoft v. Motorola*, in which an anti-suit injunction was granted, and on which Samsung relied.<sup>197</sup> That is, in *Microsoft*, the German court granted Motorola an injunction against Microsoft without determining whether or not Motorola had complied with its FRAND Commitment (a question before the U.S. court in Washington).<sup>198</sup> However, in this case, "the Shenzhen court issued injunctive relief *because* it found that Samsung had not complied with its FRAND obligations."<sup>199</sup> Thus, the cases before the U.S. and Chinese courts differed significantly.<sup>200</sup> Nevertheless, Judge Orrick found these differences "irrelevant" to the more important question: whether the local action would dispose of the foreign action.<sup>201</sup> As both actions asked whether the other party breached its FRAND commitment to ETSI, the U.S. court's answer to this question would, indeed, dispose of the Chinese action.<sup>202</sup>

Next, after considering the *Unterweser* factors, Judge Orrick found that allowing the Chinese action to continue would undermine the U.S. court's "ability to determine the propriety of injunctive relief in the first instance."<sup>203</sup> Further, he considered that the Chinese injunction posed a significant commercial risk to Samsung, "not just in China, but with impacts percolating around the world".<sup>204</sup> As such, the Shenzhen injunction would "interfere with 'equitable considerations' by compromising the court's ability to reach a just result in the case before it free of external pressure on [Samsung] to enter into a

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<sup>194</sup> *Id.*

<sup>195</sup> *Id.* For a detailed discussion of Judge Orrick's decision in this case, see David Long, *Judge Orrick Enjoins Huawei from Enforcing Injunction for Infringing SEPs Issued by China's Shenzhen Court (Huawei v. Samsung)*, ESSENTIAL PAT. BLOG (Apr. 17, 2018) <https://www.essentialpatentblog.com/2018/04/judge-orrick-enjoins-huawei-enforcing-injunction-infringing-seps-issued-chinas-shenzhen-court-huawei-v-samsung/> [<https://perma.cc/6D9P-SDDQ>].

<sup>196</sup> See Order Granting Samsung's Motion for Antisuit Injunction, *supra* note 188, at 5.

<sup>197</sup> *Id.* at 11-12.

<sup>198</sup> See *id.* at 12.

<sup>199</sup> *Id.* (emphasis in original).

<sup>200</sup> *Id.*

<sup>201</sup> *Id.* at 13.

<sup>202</sup> *Id.*

<sup>203</sup> *Id.* at 17.

<sup>204</sup> *Id.*

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‘holdup’ settlement before the litigation is complete.”<sup>205</sup> Accordingly, he found that the integrity of the U.S. action would “be lessened without an anti-suit injunction”.<sup>206</sup> Finally, Judge Orrick found that the limited scope of the proposed anti-suit injunction (a single order relating to two Chinese patents) and its limited duration (it would likely be less than six months until the U.S. court determined whether Samsung had breached its FRAND commitment) would present a “negligible” impact on international comity.<sup>207</sup>

Thus, for the above reasons, the court granted Samsung’s motion to enjoin Huawei from enforcing the Shenzhen orders.<sup>208</sup>

#### H. (FR)Anti-Suit Injunctions — Trends and Analysis

As discussed above, courts that consider anti-suit injunctions in cases involving FRAND licensing disputes apply a variety of analytical tests and frameworks.<sup>209</sup> Nevertheless, there are a number of common criteria that courts use in such cases, which are summarized in Table 2 below.

Table 2  
Summary of Selected FRAND Anti-Suit Injunction Decisions

Case	Juris. involved	(a) Same Issues	(b) Local Disposition	(c) Vexatious Behavior	(d) Violates Comity or Policy	Inj. Granted
Microsoft v. Motorola	U.S., Germany	No	Yes	Yes	No	Yes
Vringo v. ZTE	U.S., China	No	No	No	n/a	No
TCL v. Ericsson	U.S., France, Brazil, Russia, UK, Germany, Argentina	n/a	Yes	n/a	n/a	Yes
Apple v. Qualcomm	U.S., UK, Japan, China, Taiwan	No	No	No	Yes	No

<sup>205</sup> *Id.* (quoting Microsoft II, 696 F.3d 872, 886 (9th Cir. 2012)).

<sup>206</sup> *Id.* at 17. Samsung also alleged that Huawei’s behaviour in bringing the Chinese actions was vexatious and oppressive, but the court did not agree. *Id.* at 19.

<sup>207</sup> *Id.* at 20.

<sup>208</sup> *Id.* at 21.

<sup>209</sup> See *supra* note 99 and accompanying text.

Case	Juris. involved	(a) Same Issues	(b) Local Disposition	(c) Vexatious Behavior	(d) Violates Comity or Policy	Inj. Granted
Conversant v. Huawei and ZTE	UK, China	Yes	Yes	No	n/a	Yes <sup>210</sup>
Optis v. Huawei	U.S., China	No	No	No	n/a	No
Huawei v. Samsung	U.S., China	No	Yes	No	No	Yes

NOTE: “n/a” signifies that an issue was not discussed by the court in its reported decision.

Table 2 consolidates the four major issues that courts adjudicating a request for an anti-suit injunction have considered in the FRAND cases discussed above (after satisfying the threshold condition that the local and foreign actions involve the same parties): (a) whether the local action involves essentially the same issues as the foreign action, (b) whether the local action will dispose of the issues in the foreign action, (c) whether the applicant for the injunction engaged in vexatious or other bad faith conduct in bringing or maintaining the foreign action(s), and (d) whether entry of the injunction would adversely impact international comity or policies of the local forum.<sup>211</sup>

As the outcomes summarized in Table 2 demonstrate, there is essentially one “deciding” factor that appears to predict whether an anti-suit injunction will issue: whether the local action will be dispositive of the foreign action. The U.S. court’s determination that its decision would dispose of the German action in *Microsoft I* led to the entry of an anti-suit injunction, even though the issues before the two courts were not identical.<sup>212</sup> In *TCL v. Ericsson*, the court considered only the parties’ apparent agreement that the U.S. action would dispose of the foreign actions in granting an anti-suit injunction.<sup>213</sup> Finally, the U.S. courts’ decisions in *Vringo v. ZTE*, *Apple v. Qualcomm* and *Optis v. Huawei* — that the local action would *not* fully dispose of the foreign actions — led to the denial of the requested anti-suit injunctions.<sup>214</sup> However, *Huawei v. Samsung* provides the clearest indication that the dispositive effect of the local action is

<sup>210</sup> An injunction would have been issued but for ZTE’s pre-emptive amendment of its foreign claims. *Conversant Wireless Licensing S.A.R.L. v. Huawei Techs. Co. Ltd. & Ors* [2018] EWHC (Ch) 2549 [33] (Eng.).

<sup>211</sup> See generally *supra* Part II.

<sup>212</sup> See *supra* Part II.A.

<sup>213</sup> See *supra* Part II.D.

<sup>214</sup> See *supra* Part II §§ B, D, F.

the predominant factor leading to issuance of an anti-suit injunction.<sup>215</sup> There, the U.S. court held that the “undeniable and important differences” between the claims before the U.S. and Chinese courts were “irrelevant” to the overriding question of whether the resolution of the U.S. action would resolve the Chinese action.<sup>216</sup>

The applicant’s vexatious behavior, though supporting the *Microsoft I* court’s entry of an anti-suit injunction, was not found necessary to satisfy the conditions for an injunction in *Conversant* or *Huawei v. Samsung*. In both of those cases the court found that an injunction was proper despite the fact that the party bringing the foreign action had not engaged in vexatious behavior. While the effect of an anti-suit injunction on international comity and local policy played a minor role in *Microsoft I*, *Apple v. Qualcomm* and *Huawei v. Samsung*, this factor was not addressed in the other cases.

Thus, at least in the context of FRAND suits litigated over the past few years, the principal question to be answered when determining whether an anti-suit injunction will issue is whether or not the local action will be dispositive of the foreign actions sought to be enjoined. The effective reduction of the analysis to this single factor threatens to broaden greatly the availability of anti-suit injunctions in the future.

### III. THE ROYALTY-SETTING RACE

#### A. *International Coercion?*

As described in Parts I and II, courts in the U.S. and UK have become more capable of and willing to fashion global portfolio licenses between parties in order to resolve FRAND disputes. However, if courts in the UK and U.S. can set global royalty rates for standards-essential patents, then what of courts in Germany, France, Canada, India, Korea, Japan, China and a host of other countries?<sup>217</sup> As a practical matter, *any* sophisticated court exercising jurisdiction over the parties can establish a global royalty rate for them.<sup>218</sup> If the potential licensee refuses to enter into the global license fashioned by the court,

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<sup>215</sup> See *supra* Part II.G.

<sup>216</sup> See Order Granting Samsung’s Motion for Antisuit Injunction, *supra* note 188, at 13.

<sup>217</sup> This “me too” attitude is reflected in *Unwired Planet I* by Mr. Justice Birss, who noted that “courts all over the world have now set FRAND rates. I am sure the English court can do that as well.” *Unwired Planet I* [2017] EWHC (Pat) 711 [169] (Eng.).

<sup>218</sup> See Jorge L. Contreras, *Global Rate-Setting: A Solution for Standards-Essential Patents?*, 94 WASH. L. REV. 701, 724 (2019) [hereinafter Contreras, *Global Rate-Setting*] (“[A] court in any jurisdiction that has the parties before it can establish a global royalty rate for them. And if the licensee refuses to enter into the global license fashioned by the court, the licensee risks being enjoined from selling products in that country.”).

it risks being enjoined from selling products in that country.<sup>219</sup> This is what the UK High Court identified in *Vringo v. ZTE* as “international coercion.”<sup>220</sup>

Thus, in *Unwired Planet I*, Huawei could have refused to accept the UK court’s global license, but if it did so, it would have been enjoined from selling products in the lucrative UK market — a sacrifice of approximately one billion pounds per year.<sup>221</sup> This is a Hobson’s Choice for any sizable product manufacturer: either accept a national court’s determination of global FRAND royalty rates or risk losing access to that jurisdiction’s national market. Furthermore, once the parties enter into a global license, there is little reason for courts in other jurisdictions to calculate either global FRAND rates or even FRAND rates for patents in their own jurisdictions. Thus, the *first* court to set a FRAND royalty rate for a particular set of parties will likely be the only one that will actually do so.<sup>222</sup>

### B. Race to the Bottom

The intra-jurisdictional competition that is likely to emerge from the coercive situation described above can lead to two forms of legal “race.”<sup>223</sup> First is a “race to the bottom” among jurisdictions — a well-documented phenomenon that has arisen across diverse areas of the law. For example, U.S. states such as Delaware have adopted rules streamlining the processes for incorporating entities and minimizing the potential liability of corporate directors,<sup>224</sup> countries such as Liberia and Panama have created lax frameworks for the registration of maritime vessels,<sup>225</sup> and U.S. states such as Nevada and Arizona have adopted regulations seeking to promote the testing of autonomous vehicles on their roads.<sup>226</sup>

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<sup>219</sup> *Vringo v. ZTE* [2015] EWHC (Pat) 214 [109] (Eng.).

<sup>220</sup> *Id.*

<sup>221</sup> Personal notes of Jorge L. Contreras, Professor of Law, University of Utah College of Law, taken during observation of the oral argument in *Unwired Planet II* [2018] EWCA (Civ) 2344 (May 22, 2018) (on file with author).

<sup>222</sup> Aside from the jurisdictional “races” discussed in Parts B and C below, one might also question whether a court sitting in one country should even be deemed competent to set royalties for patents in other countries. While parties may, and do, voluntarily agree to global licenses, it is another thing for a court to assume authority to do this against the will of (at least one of) the parties. If nothing else, this is a somewhat presumptuous assumption of authority by the court setting the global rate.

<sup>223</sup> See Contreras, *Global Markets*, *supra* note 42, at 13.

<sup>224</sup> See, e.g., Daniel J.H. Greenwood, *Democracy and Delaware: The Mysterious Race to the Bottom/Top*, 23 YALE L. & POLICY REV. 381 (2005) (discussing adjustment of corporate law in Delaware).

<sup>225</sup> See Allan I. Mendelsohn, *Flags of Convenience: Maritime and Aviation*, 79 J. AIR L. & COMMERCE 151, 152-53 (2014) (contending that the ability of local jurisdictions to set their own maritime rules led to “a determined and successful race to the bottom”). See also, Kumar, *supra* note 8 (analogizing rules regarding maritime flags to intellectual property litigation).

<sup>226</sup> See, e.g., Mirada A. Schreurs & Sibyl D. Steuwer, *Autonomous Driving — Political, Legal, Social, and Sustainability Dimensions*, AUTONOMES FAHREN 151, 162-63 (M. Maurer

Jurisdictional competition also exists among tribunals within the same legal framework, as demonstrated by the successful efforts of the U.S. District Court for the Eastern District of Texas to adapt its procedural rules in a manner favorable to plaintiffs in patent litigation.<sup>227</sup>

In each of these cases, the stringency of applicable procedural rules and substantive regulations has been relaxed or diluted. There are several reasons why courts, regulatory authorities and legislative bodies may engage in such races to the bottom. First, they may genuinely feel that their rules and procedures are objectively superior to those of other jurisdictions, whether in terms of fairness, efficiency or competency.<sup>228</sup> Second, they may feel that the rules of other jurisdictions have not treated their own citizens (whether individuals or corporations) fairly, and may enact rules that will better serve justice, at least for parties hailing from their jurisdiction.<sup>229</sup> Finally, they may adjust their rules in order to attract business to their jurisdiction, often at the expense of consumer protection, worker rights, and product safety.<sup>230</sup>

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et al. eds., 2015) (pointing out manufacturer-friendly rules in states such as Nevada); Timothy B. Lee, *The Way We Regulate Self-Driving Cars is Broken—Here’s How to Fix It*, ARS TECHNICA (Apr. 10, 2018), <https://arstechnica.com/cars/2018/04/the-way-we-regulate-self-driving-cars-is-broken-heres-how-to-fix-it/> [<https://perma.cc/UX6F-RKXH>] (describing lax safety rules for autonomous vehicle testing in early-adopter states).

<sup>227</sup> See, e.g., J. Jonas Anderson, *Reining in a ‘Renegade’ Court: TC Heartland and the Eastern District of Texas*, 39 CARDOZO L. REV. 1569, 1571 (2018) (noting disproportionate share of patent litigation brought in Eastern District of Texas); Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 STANFORD TECH. L. REV. 1, 3-4, 6 (2017) (analyzing quantity of patent litigation brought in different federal district courts). The *de facto* dominance of the Eastern District of Texas in U.S. patent litigation may have come to an end following the Supreme Court’s 2017 decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017) (tightening minimum jurisdictional contact requirements for bringing suit). See Anderson, *supra*, at 1571 (“The case struck a direct blow against what Justice Scalia famously referred to as the ‘renegade jurisdiction’”).

<sup>228</sup> See Theodore Eisenberg & Geoffrey P. Miller, *The Flight to New York: An Empirical Study of Choice of Law and Choice of Forum Clauses in Publicly-Held Companies’ Contracts*, 30 CARDOZO L. REV. 1475, 1480 (2009) (arguing that parties gravitate to courts in states such as New York and Delaware due to legitimate factors such as “their high degree of competence and for the integrity of the state’s judiciary”).

<sup>229</sup> See Morris, *supra* note 8, at 34 (“Even if one legal system prevails in the resolution of a conflict, the losing party will feel unsatisfied and can institute measures to make its own system applicable to other territories if it finds that its citizens or corporations have not been treated fairly. The prevailing wisdom is that, despite the pluralistic nature of the global legal order, certain territories’ laws are more supreme, and justice can only be achieved using those supreme laws.”)

<sup>230</sup> See, e.g., Greenwood, *supra* note 224 (discussing the view that Delaware adjusted its corporate law to attract business incorporations); Schreurs & Steuwer, *supra* note 226, at 162-63 (noting that according to Nevada Governor Brian Sandoval, “Nevada is the first state in the country . . . [adopting] regulations for this vehicle . . . [and] it is important for Nevada to



Likewise, the tendency of courts in particular jurisdictions to determine high global FRAND rates or otherwise favor the positions of patent holders could attract patent holders to those jurisdictions.<sup>231</sup> As one prominent English law firm suggests, the pro-patent Court of Appeal's *Unwired Planet* judgments<sup>232</sup> "make clear that the English courts are an attractive venue for SEP owners to initiate FRAND litigation against companies with which they are struggling to agree [on] licence terms."<sup>233</sup> By the same token, jurisdictions that establish reputations for setting *low* global FRAND rates, or which are otherwise hostile to patent holders' claims, may attract manufacturers seeking to challenge the rates that those patent holders offer.<sup>234</sup>

When jurisdictions intentionally adapt their rules and procedures, not to mention their substantive decisions, to attract litigants, a race to the bottom may emerge in which legal rules are progressively diluted in an effort to attract litigation to the jurisdiction.<sup>235</sup> Given the disparities in treatment of the same issues by courts around the world, there is evidence that such forum shopping in the area of patent litigation already occurs and that this trend is only likely to continue.<sup>236</sup> For example, a prominent international law firm advises that "[c]ompetitors looking for a good place to challenge patents will be interested in courts with a low patentee win rate."<sup>237</sup> To that end, the same firm observes that the Patent Court in London is an "excellent" venue for invalidating a patent,

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be first on this."); Lee, *supra* note 226 ("[C]ompetition to attract self-driving car companies has led to a race to the bottom in state safety rules"); Anderson, *supra* note 227, at 1571 ("For many years, the judges in the Eastern District have encouraged patent plaintiffs to file their cases in the district").

<sup>231</sup> See, e.g., Michael Elmer & Stacy Lewis, *Where to Win: Patent-Friendly Courts Revealed*, 2010 MANAGING INTELL. PROP. 34, 40, 44 (2010).

<sup>232</sup> *Unwired Planet II* [2018] EWCA (Civ) 2344 (Eng.); *Unwired Planet I* [2017] EWHC (Pat) 711 (Eng.).

<sup>233</sup> Matthew Hunt & Pat Treacy, *The Unwired Patent Appeal and Future Issues*, COMPETITION LAW INSIGHT (Dec. 18, 2018), reprinted in BRISTOWS (Jan. 30, 2019) <https://www.bristows.com/news-and-publications/articles/the-unwired-planet-appeal-and-future-issues/> [<https://perma.cc/T25F-E8UQ>]. See also Michael Burdon, *Britannia Rules on SEPs – But is it FRAND?* IPKAT BLOG, Feb. 21, 2019, <http://ipkitten.blogspot.com/2019/02/britannia-rules-on-seps-but-is-it-frand.html> ("It seems that the balance in the UK has settled very much in the SEP owner's favour").

<sup>234</sup> See Elmer & Lewis, *supra* note 231, at 36. India could be such a jurisdiction, as might China. *Id.* at 38.

<sup>235</sup> See, e.g., Mark A. Lemley & Carl Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, 28 BERKELEY TECH. L.J. 1135, 1163-64 (2013) ("[C]ompetition between jurisdictions . . . creates comity concerns" as well as other issues).

<sup>236</sup> See *id.*

<sup>237</sup> See, e.g., Elmer & Lewis, *supra* note 231, at 36 (discussing, *inter alia*, Finnegan's Global IP Project). See generally Stefan Bechtold, Jens Frankenreiter & Daniel Klerman, *Forum Selling Abroad*, 92 S. CAL. L. REV. 1 (2019) (observing jurisdictional jockeying among German courts).

that “Germany has a reputation for being patentee friendly,” and that litigants are well-advised to consider these factors when deciding where to commence suit.<sup>238</sup> In fact, some commentators have argued that United States courts and agencies should better accommodate the litigation positions of particular parties (e.g., patent holders) to avoid losing out in this jurisdictional race to the bottom.<sup>239</sup>

### C. *Race to the Courthouse*

This jurisdictional race to the bottom will, by design, result in particular jurisdictions’ rules favoring one party or another in litigation. It is likely to encourage a party to initiate litigation in the most favorable jurisdiction possible, as quickly as possible, often to foreclose a later suit in a less favorable jurisdiction. This situation is referred to as a “race to the courthouse,”<sup>240</sup> and may prematurely drive parties to litigation rather than negotiation or settlement. Far from being a mere theoretical possibility, such races are not only observed, but actively encouraged, by law firms that represent clients in multi-jurisdictional patent litigation.<sup>241</sup> Take, for example, one such firm’s recommendation that its clients adopt a “first strike strategy” by initiating patent litigation in the most favorable jurisdiction based on data compiled from about thirty different national judicial venues.<sup>242</sup>

Scholars have also identified numerous procedural and substantive differences among U.S. jurisdictions that have driven forum selection decisions

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<sup>238</sup> Elmer & Lewis, *supra* note 231, at 36-37.

<sup>239</sup> See, e.g., J. Gregory Sidak, *Memorandum: Will the International Trade Commission or the Antitrust Division Set Policy on Monopoly and Innovation?* 3 CRITERION J. INNOVATION 701, 711 (2018) (“As the quality of administrative adjudication deteriorates at the ITC, patent holders engaged in global disputes over licensing or infringement can choose to litigate their multijurisdictional disputes before highly sophisticated tribunals in other countries”); Matthew Bultman, *Patent Owners Taking Global View in Enforcement Efforts*, LAW360 <https://www.law360.com/articles/1064658/patent-owners-taking-global-view-in-enforcement-efforts> (July 18, 2018) (quoting former Chief Judge of the U.S. Court of Appeals for the Federal Circuit Randall Rader as saying “The more the U.S. system is out of harmony with international standards, the more your international corporations will prefer to litigate elsewhere”).

<sup>240</sup> See Peter E. Herzog, *Brussels and Lugano, Should You Race to the Courthouse or Race for a Judgment?* 43 AM. J. COMP. L. 379, 379 (1995); Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 401, 402 (2010) (citations omitted) (“Forum shopping is alive and well in patent law. . . . [P]atent plaintiffs . . . spend a great deal of time and effort worrying about where to file their case. Meanwhile, accused infringers play much the same game, looking for defense-favorable jurisdictions in which to file declaratory judgment actions. The result in many cases is a race to the courthouse.”).

<sup>241</sup> See Elmer & Lewis, *supra* note 231, at 34-36

<sup>242</sup> See *id.*

and the impetus to file quickly in those jurisdictions.<sup>243</sup> And even though courts criticize such jurisdictional races as “disorderly” attempts at “procedural fencing,”<sup>244</sup> most courts (at least in U.S. patent cases) typically defer to the choice of forum made by the first party to file, further encouraging parties to engage in such races to the courthouse.<sup>245</sup>

In response to the UK High Court’s fashioning of a global patent license for the parties in *Unwired Planet I*, on appeal Huawei raised the specter of such an international race to the courthouse.<sup>246</sup> That is, if national courts are empowered to establish global royalty rates and other terms for private FRAND licenses, a veritable parade of horrors could ensue:

[I]mplementers may be faced with the threat of injunctions which effectively deprive them of their ability to defend their FRAND positions before the courts of the territories where the relevant SEPs subsist; courts will set rates for [patents] over which they have no jurisdiction; the judgment of a single court in a jurisdiction in which an implementer does not wish to litigate may create a res judicata as between it and the [patent] owner in relation to the terms of a global licence, and this might be very unfair.<sup>247</sup>

However, the Court of Appeal rejected these arguments, finding “nothing unfair” about allowing “a court in one country [to] decide, as between the parties, whether a global or multi-territorial licence is FRAND.”<sup>248</sup> In particular, the court held that a single court’s determination of a global license “does not deprive a licensee from challenging the validity and essentiality of [patents] in any [other] jurisdiction where it may choose to do so.”<sup>249</sup> Thus, even if a global license is rendered by a national court, a licensee may challenge its patents in other jurisdictions. But to what avail? As noted in Part I.B, once parties sign a

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<sup>243</sup> See Lemley, *supra* note 240, at 402-03. See also generally, Chester S. Chuang, *Offensive Venue: The Curious Use of Declaratory Judgment to Forum Shop in Patent Litigation*, 80 GEO. WASH. L. REV. 1065 (2012); Robert T. Sherwin, *Shoot First, Litigate Later: Declaratory Judgment Actions, Procedural Fencing, and Itchy Trigger Fingers*, 70 OKLA. L. REV. 793 (2018).

<sup>244</sup> See, e.g., *Hanes Corp. v. Millard*, 531 F.2d 585, 591 n.4, 593 (D.C. Cir. 1976) (discussed in Sherwin, *supra* note 243, at 797).

<sup>245</sup> See, e.g., *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993) (“the forum of the first filed case is favored, unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, require otherwise.”).

<sup>246</sup> *Unwired Planet II* [2018] EWCA (Civ) 2344 [101] (Eng.).

<sup>247</sup> *Id.* However, Huawei’s argument is somewhat ironic, given that the U.S. District Court for the Northern District of California in *Huawei v. Samsung* observed that Huawei’s own initiation of legal actions against Samsung in Shenzhen, China (Huawei’s home city) “implicate[ed] concerns of forum shopping”. Order Granting Samsung’s Motion for Antisuit Injunction, *supra* note 188, at 18.

<sup>248</sup> *Unwired II* [2018] EWCA (Civ) 2344 [104].

<sup>249</sup> *Id.*

global license, challenging patent validity in one country or another becomes far less rewarding except in the rare case that *all* of a party's patents in a particular country are invalidated.<sup>250</sup>

The Court of Appeal went on to describe the practical difficulties that patent holders could face if national courts were *not* empowered to set global royalty rates:

On the assumption that only a country by country approach to licensing is FRAND, a patentee in the position of [Unwired Planet] would face not just the needless expense of negotiating and managing licenses on a country by country basis but also the problem of dealing with a potential licensee which is holding-out and refusing to engage in a reasonable way with the negotiation process. The patentee must then bring proceedings country by country to secure the payment of the royalties to which it is entitled. But unlike a normal patent action, where an unsuccessful defendant faces the prospect of an injunction, the reluctant licensee would know that, on the assumption it could only be required to take licences country by country, there would be no prospect of any effective injunctive relief being granted against it provided it agreed to pay the royalties in respect of its activities in any particular country once those activities had been found to infringe.<sup>251</sup>

Accordingly, the Court of Appeal in *Unwired Planet II* found that the burdens of a global license did not outweigh its practical benefits or make it inappropriate for a UK court to determine.<sup>252</sup> In sum, the courts that have considered this issue

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<sup>250</sup> Traditionally, large standards-essential patents holders have held a broad portfolio of patents, conferring rights in many major jurisdictions, making it unlikely that all of the patent holder's patents in any given country would ever be invalidated. TIM POHLMANN & KNUT BLIND, IPLYTICS GMBH, LANDSCAPING STUDY ON STANDARD ESSENTIAL PATENTS (SEPS) 3, 27 (2016), <http://ec.europa.eu/DocsRoom/documents/20741/attachments/1/translations/en/renditions/native> [<https://perma.cc/8N9Q-DZDK>]. In recent years, however, large patent holders have increasingly transferred their patents to patent assertion entities (PAEs), such as Unwired Planet, Vringo, Conversant, PanOptis, St. Lawrence, Innovatio, Wi-LAN, etc., for enforcement. This practice is referred to as "privateering". See, e.g., D. DANIEL SOKOL, PATENT ASSERTION ENTITIES AND COMPETITION POLICY 72 (D. Daniel Sokol ed., 2017); see also Jorge L. Contreras, *Aggregated Royalties for Top-Down FRAND Determinations: Revisiting 'Joint Negotiation'*, 62 ANTITRUST BULL. 690, 694 (2017) ("An increasing number of operating companies that were or are active in standards development appear to be transferring some or all of their SEPs to patent assertion entities (PAEs) for enforcement"). As a result, PAEs now hold relatively small numbers of patents, and the invalidation of all of a particular PAE's patents in a particular jurisdiction may not be a remote possibility.

<sup>251</sup> *Unwired II* [2018] EWCA (Civ) 2344 at [111].

<sup>252</sup> *Id.* at [113]. Interestingly, the court's reasoning in *Unwired Planet II* assumes that licensees who "hold out" and refuse to enter into license agreements on FRAND terms will suffer no penalty save for having to pay the otherwise FRAND royalty rate years later - once the patent holder eventually prevails in each relevant jurisdiction. See *id.* at [5]-[6], [57]. However, this is not necessarily the case, particularly in jurisdictions like the U.S. where

appear to be comfortable with, or at least not opposed to, the prospect of a jurisdictional race to the bottom coupled with a litigant race to the courthouse.

*D. The Finish Line?*

In the context of multinational patent licensing, both the jurisdictional race to the bottom and the litigant race to the courthouse have already begun. As shown above, courts' increasing willingness to compete in and facilitate these races, coupled with the liberalization in application of the anti-suit injunction,<sup>253</sup> belie a trend that is not likely to reverse of its own accord. In the end, it may simply be that forum shopping and races to the bottom are inevitable consequences of unregulated multinational marketplaces in which global disputes are litigated in national forums.

Nevertheless, litigation and jurisdictional races are costly for markets and market participants. They distort the processes and motivations behind judicial and administrative rulemaking — substituting national desires to attract business for just and evenhanded application of the law. Moreover, they incentivize litigation “first strikes” when negotiation or compromise might be more appropriate and efficient. Accordingly, such races would ideally be eliminated in this increasingly important and internationalized commercial realm. As observed by one English practitioner, “The problem is only going to get more complex and more important ... As well as moving into the next generation of telecom standards, the world is increasingly dealing with the connected world and the Internet of Things ... involving a wide range of industries including telecoms, tech providers, automotive and broadcasting.”<sup>254</sup>

In response to this situation, several commentators, including the author, viewing litigation and judicial dispute resolution as inherently inefficient, costly and compromised,<sup>255</sup> have proposed a range of private ordering solutions to resolve or forestall disputes involving standard-essential patents and FRAND licensing. These proposals have included mandatory “ex ante” rate

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penalties for bad faith behavior, including wilful patent infringement, exist. *See generally* Contreras, et al., *supra* note 12, at 293 (discussing enhanced damages against potential licensees who strategically refuse to enter into FRAND license agreements). Thus, penalties could be another measure on which jurisdictions compete with one another: those that penalize holdout behavior may more attractive to patent holders, while those that do not may be more attractive to potential licensees.

<sup>253</sup> As noted in Part II G, the only reliable test for whether or not such an injunction will issue appears to be whether or not the action in the enjoining court will be dispositive of actions in the courts that are sought to be enjoined.

<sup>254</sup> Burdon, *supra* note 233.

<sup>255</sup> *See, e.g.*, Stanley M. Besen, *Why Royalties for Standard Essential Patents Should Not Be Set by the Courts*, 15 CHI.-KENT J. INTEL. PROP. 19 (2016) (arguing that courts are undesirable adjudicators of FRAND disputes).

disclosures,<sup>256</sup> collective rate agreements,<sup>257</sup> expedited bilateral arbitration,<sup>258</sup> global rate-setting tribunals,<sup>259</sup> patent pooling structures,<sup>260</sup> and more.<sup>261</sup>

Yet, there are reasons to hold out hope for judicial resolution of these disputes. Despite all of their challenges, judicial decisions carry with them an institutional legitimacy that may be difficult to replicate through private means.<sup>262</sup> While there is no general international treaty relating to jurisdiction or recognition of national judgments,<sup>263</sup> such treaties exist on a regional basis, most notably within

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<sup>256</sup> See, e.g., Pierre Régibeau, Raphaël De Coninck & Hans Zenger, *Transparency, Predictability, and Efficiency of SSO-based Standardization and SEP Licensing: A Report for the European Commission*, at 28-31 (June 2016) [https://www.crai.com/sites/default/files/publications/Transparency\\_predictability\\_efficiency.pdf](https://www.crai.com/sites/default/files/publications/Transparency_predictability_efficiency.pdf)

[http://ec.europa.eu/DocsRoom/documents/20506/attachments/1/translations/en/renditions/pdf\[https://perma.cc/DQQ6-8FHG\]](http://ec.europa.eu/DocsRoom/documents/20506/attachments/1/translations/en/renditions/pdf[https://perma.cc/DQQ6-8FHG]). See generally Jorge L. Contreras, *Technical Standards and Ex Ante Disclosure: Results and Analysis of an Empirical Study*, 53 JURIMETRICS 163 (2013) (describing *ex ante* rate disclosure policies adopted and proposed at several SDOs).

<sup>257</sup> See, e.g., Luke McDonagh & Enrico Bonadio, *Standard Essential Patents and the Internet of Things*, at 30 (Jan. 2019) [http://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL\\_IDA\(2019\)608854\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL_IDA(2019)608854_EN.pdf) [https://perma.cc/SU75-5NDA] (asserting that EU institutions should allow SDO participants to negotiate collectively for SEP royalty rates); Contreras, *Aggregated*, *supra* note 250, at 690, 692, 694, 700-01, 709 (calling on antitrust authorities to recognize that SDO collective rate-setting should be permitted and encouraged). See generally Contreras, *Fixing FRAND*, *supra* note 9, at 78-84 (proposing mechanism for collective SDO negotiation of FRAND royalty rates); Besen, *supra* note 255 (arguing that SDOs, rather than courts, are best-equipped to make FRAND royalty determinations).

<sup>258</sup> See Lemley & Shapiro, *supra* note 235, at 1135, 1141 (proposing that FRAND rate disputes be resolved through mandatory best offer arbitration).

<sup>259</sup> See generally Contreras, *Global Rate-Setting*, *supra* note 218 (proposing global, non-governmental rate-setting to determine FRAND rates).

<sup>260</sup> See *Microsoft IV*, 795 F.3d at 1042-1045 (describing licensing pools for H.264 and Wi-Fi patents); Besen, *supra* note 255, at 32-34; McDonagh & Bonadio, *supra* note 257, at 30; Régibeau et al., *supra* note 256, at 31.

<sup>261</sup> See, e.g., Kai-Uwe Kühn, Fiona Scott Morton & Howard Shelanski, *Standard Setting Organizations Can Help Solve the Standard Essential Patents Licensing Problem*, CPI ANTITRUST CHRON., Mar. 2013, at 3-4; Mark Lemley, *Ten Things to do About Patent Holdup of Standards (and One Not to)*, 48 B.C. L. REV. 149, 161-67 (2007); Marc Rysman & Timothy Simcoe, *A NAASTy Alternative to RAND Pricing Commitments*, 35 TELECOM. POLICY 1010 (2011).

<sup>262</sup> See, e.g., Judith Resnik, *Diffusing Disputes: The Public in the Private of Arbitration, the Private in Courts, and the Erasure of Rights*, 124 YALE L.J. 2804 (2014) (arguing that private arbitration agreements, particularly those arising from consumer contracts of adhesion, lack procedural and constitutional legitimacy).

<sup>263</sup> See, e.g., *Enforcement of Judgments*, U.S. DEPT. OF STATE, <https://travel.state.gov/content/travel/en/legal/travel-legal-considerations/internal-judicial-assst/Enforcement-of-Judges.html> [https://perma.cc/FES6-KVFZ] (last visited Apr. 14, 2019)

the European Union.<sup>264</sup> Moreover, treaty instruments covering limited aspects of international jurisdiction exist, including the 2005 Hague Choice of Court Agreements Convention, which validates forum selection clauses in certain types of private international agreements.<sup>265</sup> Even without broadly-applicable treaty mechanisms, a number of international devices are available to facilitate the coordination of litigation across jurisdictions. For example, statutory mechanisms exist within the U.S. and EU to specify and limit the types of damages that parties may seek in national courts in private international antitrust cases.<sup>266</sup>

Other efforts are under way to develop instruments for the greater coordination of international jurisdiction and enforcement of judgments, including a Draft Convention on the Recognition and Enforcement of Foreign Judgments, which is currently being negotiated at The Hague Conference on Private International Law.<sup>267</sup> While the Hague Convention, if adopted, could offer international rules pertaining to jurisdictional issues, so-called “soft law” instruments have also been proposed in this area.<sup>268</sup> For example, specific to intellectual property law, the American Law Institute has developed a set of Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes based on earlier work by Professors Rochelle Dreyfuss and Jane Ginsburg.<sup>269</sup> Further, with respect to anti-suit injunctions specifically,

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(“There is no bilateral treaty or multilateral convention in force between the United States and any other country on reciprocal recognition and enforcement of judgments”).

<sup>264</sup> See, e.g., Council Directive 2004/48/EC, 2004 O.J. (L 195) 16-19.

<sup>265</sup> Hague Convention on Choice of Court Agreements art. 3, June 30, 2005, 44 I.L.M. 1294, <https://assets.hcch.net/docs/510bc238-7318-47ed-9ed5-e0972510d98b.pdf> [<https://perma.cc/A9UY-SEZ3>].

<sup>266</sup> See generally James L McGinnis, Oliver Heinisch, & Nadezdha Nikonova, *The Rapidly Changing Landscape of Private Global Antitrust Litigation: Increasingly Serious Implications for U.S. Practitioners*, 25 COMPETITION 1 (2016).

<sup>267</sup> Request for Comments and Notice of Public Meeting on a Preliminary Draft Convention on the Recognition and Enforcement of Foreign Judgments Currently Being Negotiated at The Hague Conference on Private International Law, 81 Fed. Reg. 81741-44 (Nov. 18, 2016). See also *The Judgments Project*, HAGUE CONF. ON PRIVATE INT’L. LAW, <https://www.hcch.net/en/projects/legislative-projects/judgments> [<https://perma.cc/F6EX-LGSY>] (describing recent activity regarding the aforementioned draft Convention).

<sup>268</sup> “Soft law” refers to legal principles embodied in guidelines, norms or agreements that generally lack the binding force of law, but guide behavior in any event. See Daniel Thürer, *Soft Law*, MAX PLANCK ENCYCLOPEDIA OF PUB. INT’L L., <http://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e1469> [<https://perma.cc/49FL-BZZ7>] (last visited Apr. 14, 2019).

<sup>269</sup> See generally INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES (AM. LAW. INST. 2008). See also Rochelle Dreyfuss, *The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?*, 30 BROOK. J. INT’L L. 819, 820-26 (2005); Dinwoodie, *supra* note 8, at 720-21 (discussing genesis and history of ALI Principles).

Professor Tom Cotter has proposed the development of more consistent “best practices” that could be adopted by courts adjudicating these cases.<sup>270</sup>

Perhaps the most effective solution to the jurisdictional disharmony illustrated by this essay would be the enactment of a single, global patent system.<sup>271</sup> Such a system would eliminate the ability of a court sitting in one country to decide patent royalties for patents issued in many other countries, as a single, global patent could cover the entire world. While the prospect of a global patent system resonates with increasingly global product and service markets in which national borders seem to have less and less relevance, from a practical standpoint there appears to be little chance of such a system emerging in the foreseeable future.<sup>272</sup>

While the respective futures of these various efforts are uncertain, they at least demonstrate that the private international law community recognizes the necessity of improved legal mechanisms to avoid the unproductive litigation races described in this essay.

#### CONCLUSION

This essay shows that, even absent any violation of national law, national courts have begun to use disputes over domestic patent rights as vehicles for shaping the global business arrangements of private parties. This tendency is particularly pronounced in disputes over standards-essential patents and the FRAND terms on which they are licensed. Aided by tools such as the anti-suit injunction and injunctions preventing local sales of infringing products, courts in the U.S., UK and elsewhere have increasingly sought to define such global

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<sup>270</sup> Thomas Cotter, *Upcoming Talks on Extraterritoriality and Patent Remedies*, COMP. PAT. BLOG (Jan. 31, 2019), <http://comparativepatentremedies.blogspot.com/2019/01/upcoming-talks-on-extraterritoriality.html> [<https://perma.cc/SF4E-MLMQ>] (suggesting that courts should limit “antisuit injunctions, in the [FRAND] context, to cases in which enforcement in another jurisdiction would frustrate the domestic court’s ability to render judgment”).

<sup>271</sup> See, e.g., Q. Todd Dickinson, *The Long-Term International View of Patents and Trademarks*, in 4 INTERNATIONAL INTELLECTUAL PROPERTY LAW & POLICY 14-1 - 14-2 (Hugh C. Hansen, ed., 2000) (“there definitely should be a global patent system of some sort . . . I think we can all list probable benefits of such a system: reduced costs for inventors and for their assignees, dramatically simpler protection, and uniformity of that protection throughout the world.”); John H. Barton, *Issues Posed by a World Patent System*, 7 J. INT’L ECON. L. 341, 344 (2004) (“There is little excuse for maintaining parallel national patent systems in a world of international trade.”)

<sup>272</sup> And even if such a global patent system might solve the immediate problem posed by this essay, there are many reasons to question whether such a system would be desirable more generally. See John F. Duffy, *Harmony and Diversity in Global Patent Law*, 17 BERKELEY TECH. L.J. 685, 726 (2002) (“A consolidation of existing patent systems into a single monolith would impoverish the field; it would be mass extinction of legal species. Diversity has its own worth; it permits competition and breeds innovation.”); Barton, *supra* note 271, at 352-57 (pointing out numerous practical difficulties with the implementation of a world patent system).



contractual arrangements between multinational firms solely on the basis of patents asserted within their jurisdictions. As a result, evidence that jurisdictions are developing positions favoring a given party in such disputes already exists. This trend threatens a jurisdictional race to the bottom in their substantive and procedural rules. Likewise, multinational litigants are adopting strategies designed to bring suit in favorable jurisdictions as quickly as possible to achieve “first strike” advantages. These unproductive litigation races distort the processes and motivations behind judicial and administrative rulemaking — substituting national desires to attract business for just and evenhanded application of the law — and incentivize litigation when negotiation or compromise might be more appropriate and efficient. Accordingly, multijurisdictional solutions are needed to address these problems, whether they arise through private ordering, international agreement or soft law mechanisms.