WIPO ARBITRATION: A PROMISING SOLUTION TO THE INJUNCTION CHAOS OF FRAND DISPUTES

INTRODUCTION

The legal battles in the telecommunications industry are fierce. The fact that no single industrial player is the single global leader in 5G technologies stimulates a sweeping wave of patent cross-licensing throughout the industry. Standard-setting organizations and standard development organizations play important roles in developing 5G technical standards, which provide technical specifications for equipment by different manufacturers. Many technologies included in industrial standards also “appear in granted patents or pending patent applications.” To help promote subsequent licensing transactions within the industry, especially to reduce the time of resolving patent enforcement disputes and conducting patent licensing negotiations for each jurisdiction, standard-setting organizations urge their members to grant irrevocable licenses for such standard-essential patents (SEPs) with fair, reasonable, and non-discriminatory (FRAND) terms.


3. See USPTO 5G REPORT, supra note 1, at 2.


5. See, e.g., IEEE, IEEE-SA STANDARDS BOARD BYLAWS § 6 (2022) [hereinafter IEEE-SA STANDARDS BOARD BYLAWS], https://standards.ieee.org/content/dam/ieee-standards/standards/web/documents/other/sh_bylaws.pdf [https://perma.cc/6KKT-MKAY]. “If the IEEE receives notice that a [proposed] IEEE Standard may require the use of a potential Essential Patent Claim, the IEEE shall request licensing assurance . . . from the patent holder or patent applicant.” Such assurance includes a general commitment not to “enforce any present or future” SEPs against any potential infringers or to “make available a license . . . on a worldwide basis” with reasonable rates. Id. See also Thomas F. Cotter, Is Global FRAND Litigation Spinning Out of Control?, 2021 PATENTLY-O PAT. L.J. 1, 2.
Despite patent prosecution and enforcement falling within national courts’ exclusive jurisdiction, patent licensing, as part of the commercialization of patent rights, is global. The complex reality is, though standard-setting organizations ask their members to license patents on FRAND terms, out of antitrust concerns, the organizations also purposefully avert themselves from providing details on the definition of “fair, reasonable, and non-discriminatory.” Members are left to negotiate the licensing terms, especially licensing rates, on their own. As a result, major industrial players rush to courts of major markets and seek injunctive relief in order to add bargaining power in their FRAND term negotiations.

One particular type of injunction frequently sought is an anti-suit injunction (ASI), which is “issued by a court in one jurisdiction to prohibit a litigant from initiating or continuing parallel litigation in another jurisdiction.” Courts in the United States, United Kingdom, Germany, France, and China are among the major jurisdictions issuing ASIs in FRAND disputes. ASIs in FRAND disputes lead to the concern that parties are motivated to file lawsuits in different jurisdictions while a FRAND negotiation is ongoing, which subverts the very purpose of establishing the FRAND term regime.

But this is not the end of the game. On January 11, 2021, upon motion by Ericsson Inc., the United States District Court for the Eastern District of Texas granted a modified anti-interference injunction, enjoining Samsung Electronics Co., Ltd. and its affiliates from taking any action in a parallel case, filed in the Wuhan Intermediate People’s Court of Hubei Province, China, that would interfere with the Texas court’s jurisdiction over the breach of FRAND obligations. The decision by the Eastern District of

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8. “[F]irms might prefer the ambiguous RAND commitment over a more conventional, explicit pricing term. . . . out of concerns over antitrust liability.” Id. at 3 n.5 (quoting Doug Lichtman, Understanding the RAND Commitment, 47 HOUS. L. REV. 1023, 1027–29, 1046 n.65 (2010)).

9. See generally Contreras, The New Extraterritoriality, supra note 6, at 255–65. See also Optis, [2022] EWCA (Civ) 1411 [13] (“Although the real issue between the parties is as to the FRAND terms for a license of the portfolio, it is in the interests of the implementer where possible to challenge validity, essentiality and infringement of the selected patents.”).


11. See id. at 277.

12. See id. at 280–86.

Texas marks the United States as a jurisdiction granting “anti-ASIs.”\(^{14}\) The prevalence of ASIs and anti-ASIs demonstrates the slippery slope of parties’ forum shopping and initiating of vexatious litigations. On October 27, 2022, the Court of Appeal of England and Wales ruled that an SEP owner is entitled to an immediate injunction against an SEP implementer before a court decides on the FRAND terms, unless and until the implementer agrees to accept the FRAND terms to be determined.\(^{15}\)

This Note proposes developing the World Intellectual Property Organization (WIPO) arbitration mechanism to resolve the chaos. Part II summarizes the background of FRAND terms. Part III introduces the rationales of courts of different jurisdictions in granting ASIs and ruling on global FRAND terms, examining the most recent decisions by U.K courts and Chinese courts in 2022. Part IV analyzes how the latest issuance of an anti-ASI by the Eastern District of Texas adds complexity that will frustrate the purpose of FRAND, and it summarizes the rationales of courts of different jurisdictions in their recent anti-ASI decisions. Part V analyzes why current proposals fail and proposes a WIPO arbitration mechanism. This Note delves into courts’ detailed reasoning when issuing ASIs and anti-ASIs in different jurisdictions and proposes a dispute resolution mechanism outside the current territorial approach.

II. STANDARD-SETTING ORGANIZATIONS AND FRAND TERMS

Standard-setting organizations and standard development organizations (collectively SSOs)\(^{16}\) are “industry groups that set common standards in a variety of significant areas.”\(^{17}\) Many SSOs create bylaws intended as enforceable contracts to bind member companies,\(^{18}\) or incorporate the bylaws by reference in SSO contracts.\(^{19}\) “Patents covering technology necessary to comply with a standard are ‘standard-essential patents.’”\(^{20}\) The Institute of Electrical and Electronics Engineers (IEEE), with its Standards Association, develops standards in industries including wired and wireless...
communications, power electronics, and computer technology. Many IEEE standards require the implementation of technologies patented by IEEE’s members. When other members need to “implement either a mandatory or optional portion of a normative clause” in IEEE’s standards, usually there are “no commercially and technically feasible non-infringing alternative” unpatented technical solutions. As a result, IEEE requests that its members commit to licensing patented or to-be-patented “Essential Patent Claim.” Such licensing assurances shall either provide “[a] general disclaimer to the effect that the [patent holder would] not enforce any present or future Essential Patent Claims against” other members or “make available a license” for such claims globally, “without compensation or under Reasonable Rates.”

Another major standard-setting organization is the European Telecommunications Standards Institute (ETSI), which “produces globally-applicable standards for Information and Communications Technologies.” Recognized by the European Union, ETSI has more than 900 members worldwide, including Apple and Qualcomm and their affiliates. Like IEEE, ETSI also requires SEP holders to give an irrevocable written commitment to grant irrevocable licenses on FRAND terms and to set conditions for the “manufacture,” sale, “lease, or otherwise disposal of equipment” using their SEPs.

FRAND terms aim to balance the need to reward inventors’ efforts in developing SEPs and the need to make such patents available for public

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23. Id.; see also Broadcom Corp. v. Qualcomm Inc., 501 F.3d 297, 310 (3d Cir. 2007). Once a standard includes a patented technology, other industry participants “who have invested significant resources developing products and technologies that conform to the standard will find it prohibitively expensive to abandon their investment and switch to another standard.” Broadcom, 501 F.3d at 310.

24. IEEE-SA STANDARDS BOARD BYLAWS, supra note 5, § 6.2. As leverage, SEP owners’ refusal to make irrevocable assurances will preclude the standards from taking effect. See id.

25. Id.


use. First, FRAND terms serve to prevent patent “hold ups” and “hold outs.” A “hold up” refers to the situation where after an industrial standard incorporates an SEP, the SEP owner “use[s] the threat of an injunction to restrain infringement to extract licence terms” and royalty rates “exceed[ing] the reasonable market value.” A “hold out” refers to the situation where an implementer of an SEP “implement[s] a technical solution covered by a[n] SEP without paying the reasonable market value for a licence.”

Therefore, FRAND terms serve to reduce costs for market participants. Second, FRAND aims to save both parties time otherwise spent arguing over the merits of the validity of every single patent in a licensing portfolio. In addition to reasonable monetary compensation, SEP holders may also require reciprocal licensing so that the SEP holders can access any other SEPs held by licensees.

The proliferation of information and communication technology drives stakeholders to file patent applications, giving rise to rapid growth in the number of SEPs in recent years. Despite standard-setting organizations’ role in publishing standards and requiring commitment from SEP holders, out of antitrust concerns the specific licensing conditions are left to parties’ separate and confidential negotiations. As a result, due to the lack of detailed FRAND rate-setting guidance, disputes over FRAND terms arise in multiple jurisdictions.

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30. See Optis Cellular Tech. LLC v. Apple Retail U.K. Ltd. [2022] EWCA (Civ) 1411 [7]. Such industry participants are usually at disadvantages in negotiating for royalties because they either have to bear the high cost of “switch[ing] to an alternative technology or standard . . . ex post” or stay “locked into the standard and the technologies” with a high royalty. See A. Douglas Melamed & Carl Shapiro, How Antitrust Law Can Make FRAND Commitments More Effective, 127 YALE L.J. 2110, 2113 (2018).

31. Optis, [2022] EWCA (Civ) 1411 [7].

32. See Lichtman, supra note 8, at 1028 (2010).

33. See IEEE-SA STANDARDS BOARD BYLAWS, supra note 5, § 6.2.

34. See MENIÈRE, supra note 29, at 12.

35. See ETSI GUIDE ON IPR, supra note 29, § 4.1 (“Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI.”); see also Contreras, Global Rate Setting, supra note 16, at 705–06, 752–53.

36. See Contreras, The New Extraterritoriality, supra note 6, at 254.
III. Jurisdiction Competition: Anti-Suit Injunctions and Justifications

A. Justification for Anti-Suit Injunctions

Courts of multiple jurisdictions, including but not limited to the United Kingdom, the United States, China, Japan, India, and Germany, are frequently involved in anti-suit injunctions or seek to exclusively rule in global FRAND dispute cases to prohibit parties from initiating or continuing parallel litigations in another foreign jurisdiction.  

An ASI against a foreign lawsuit functions to prohibit the parties from bringing a relevant claim in other jurisdictions pending judgment by the order-issuing court. The different standards among jurisdictions for securing an ASI produce an incentive for FRAND dispute parties to forum shop. Therefore, it is necessary first to overview the different standards adopted by major jurisdictions for granting an ASI.

1. The United States

In the United States, in the absence of the Supreme Court’s decision on a similar issue, circuit courts are split on the standard for granting ASIs. This Part briefly introduces the standards adopted by the Ninth Circuit and Fifth Circuit, which are believed to be among “the best forums” for seeking ASIs in the United States.

The Ninth Circuit articulated its standard for granting an ASI in E. & J. Gallo Winery v. Andina Licores S.A. Gallo, a California-based winery, filed suit in California against its distributor, Andina, seeking injunctive relief from a claim Andina had filed in an Ecuadorian court. Gallo alleged that Andina had disregarded a forum selection clause in the distributorship

38. See generally id.
39. See Contreras, Global Rate Setting, supra note 16, at 724 n.109; see also Contreras, The New Extraterritoriality, supra note 6, at 266.
40. See Contreras, The New Extraterritoriality, supra note 6, at 282. Seeking an ASI is considered to be a way to “preserve one’s own ability to forum-shop, while preventing the other party from doing so.” Cotter, supra note 5, at 17.
42. “[T]he Fifth and Ninth Circuits have adopted a liberal standard when granting anti-suit injunctions. . . . The Seventh Circuit has not expressly adopted the liberal standard but appears to support it.” Id. at 97–98 (footnotes omitted). Some other circuits are believed to have adopted more “restrictive/conservative standards” when granting ASIs. For example, both the Eighth Circuit and Sixth Circuit have ruled that ASIs against foreign proceedings should be granted “only in the rarest of cases.” Id. (quoting Goss Int’l Corp. v. Man Roland Druckmaschinen Aktiengesellschaft, 491 F.3d 355, 359 (8th Cir. 2007)).
43. See generally E. & J. Gallo Winery v. Andina Licores S.A., 446 F.3d 984 (9th Cir. 2006).
44. Id. at 987–88.
agreement. The Ecuadorian suit was still pending when Gallo petitioned for an ASI in California.

The Ninth Circuit lays out three issues when granting an ASI: First, a court should decide “whether or not the parties and the issues” of each litigation “are the same,” and “whether or not the first action is dispositive of the action to be enjoined.” Second, based on In re Unterweser Reederei GmbH, it should consider 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) where the proceedings prejudice other equitable considerations” (Unterweser factors). Third, if any one of the Unterweser factors is present, the court needs to consider “if the impact on comity is tolerable.”

In Gallo, the Ninth Circuit reversed the trial court’s denial of an ASI. The Ninth Circuit reasoned that, in this case, issuing an ASI was the only way to effectively enforce the forum selection clause agreed upon by both parties. In addition, the choice-of-law clause made the courts of California more competent. The Ninth Circuit found no international comity concern here because, in light of the contract dispute, both parties are private parties, and the government of Ecuador was not involved. The Ninth Circuit rejected the district court’s approach that “comity barred the anti-suit injunction.” Rather, the Ninth Circuit held that comity is not breached anytime parties “evade the enforcement of an otherwise-valid forum selection clause” and “rush to another forum and file suit” because “the obligation of comity expires when the strong public policies of the forum are vitiated,” such as when a party breaches a forum selection clause.

45. Id. The forum selection clause, in this case, reads:

This agreement is entered into under the laws of the State of California, U.S.A., and shall be construed thereunder, and any cause of action arising between the parties, whether under this agreement or otherwise, shall be brought only in a court having jurisdiction and venue at the home office of Winery.

Id. at 987. “Winery” refers to Gallo, headquartered in Modesto, California. Id.

46. Id. at 988–89.

47. Id. at 991 (quoting Sun World, Inc. v. Lizarazu Olivarria, 804 F. Supp. 1264, 1267 (E.D. Cal. 1992)).

48. Id. at 990 (quoting Seattle Totems Hockey Club, Inc. v. Nat’l Hockey League, 652 F.2d 852, 855 (9th Cir. 1981)). The four factors were first cited in In re Unterweser Reederei GmbH, 428 F.2d 888, 890 (5th Cir. 1970).

49. Gallo, 446 F.3d at 991.

50. Id. at 993–95.

51. Id. at 994.

52. Id.

53. Id.

54. Id. at 994–95 (quoting Laker Airways Ltd. v. Sabena, Belgian World Airlines, 731 F.2d 909, 937 (D.C. Cir. 1984)).
The Fifth Circuit has adopted a similar standard in granting ASIs. When granting an ASI enjoining foreign lawsuits, the Fifth Circuit seeks to balance “the need to ‘prevent vexatious or oppressive litigation’ and to ‘protect the court’s jurisdiction’ against the need to defer to principles of international comity.” The Fifth Circuit also rejects barring an ASI based only on international comity concerns. Additionally, the Fifth Circuit followed the Unterweser factors and noted that comity should not “dominate [the] analysis” in an ASI decision. A party’s filing of a suit in a foreign court after the counterparty has already filed an identical claim in a U.S. court is regarded as “cynicism, harassment, and delay,” thus justifying an ASI.

2. The United Kingdom

In the United Kingdom, as in the Ninth Circuit, equity concerns lead courts to grant ASIs to uphold the parties’ contractual promises regarding forum selection or arbitration. English courts have the power to grant an injunction “if the bringing of the suit in the foreign court is in the circumstances so unconscionable that in accordance with our principles of a ‘wide and flexible’ equity it can be seen to be an infringement of an equitable right of the applicant.” The injunction is widely granted in cases involving arbitration agreements. For example, in Joint Stock Asset Management Co. Ingosstrakh-Investments v. BNP Paribas SA, the Court of Appeal upheld an ASI against parallel litigation in Russia when a party to an arbitration agreement colluded with a non-contractual party to impede

55. MWK Recruiting Inc. v. Jowers, 833 F. App’x 560, 562 (5th Cir. 2020) (quoting Karaha Bodas Co. v. Perusahaan Pertambangan Minyak Dan Gas Bumi Negara, 335 F.3d 357, 364 (5th Cir. 2003)).
56. Id. (citing Kaepa, Inc. v. Achilles Corp., 76 F.3d 624, 627 (5th Cir. 1996)).
57. Kaepa, 76 F.3d at 628.
arbitration. In discussing whether the English court is a forum conveniens, the court held that such foreign proceedings were “vexatious” and “unconscionable.” Concerning comity, the Court of Appeal reasoned that because judges of different legal systems may rule on a matter under different legal policies, such difference is not “a breach of customary international law or manifest injustice.”

The Court of Appeal held that with an exclusive jurisdiction clause, unlike “a contract governed by English law with a non-exclusive English jurisdiction clause,” comity “does not preclude the right . . . to an anti-suit injunction.”

3. China

China has adopted a civil law system, unlike the United States and the United Kingdom. As a type of civil injunction, an ASI is listed in its codified civil procedure law and granted under the following statutory judicial interpretations. A party is entitled to an injunction if another party to the lawsuit causes difficulty in enforcing a judgment or causes harm to the moving party for any other reason. Specifically for an intellectual property-related lawsuit, Chinese courts focus on a mixture of factual basis, legal basis, and policy concerns, including, among others, whether the applicant has a “stable” intellectual property right, whether the applicant would suffer “irreparable damage,” whether the decision would be “difficult to enforce,” and whether the “public interest” would be harmed due to the injunction. The law also requires Chinese courts to weigh the potential damage to the applicant without an injunction against potential damage to the respondent with an injunction. The law takes “significant reduction in

62. Id. [51].
64. Id. [68]. The difference between a contract with and without an exclusive jurisdiction clause is essential in FRAND disputes because many SSO policies have governing law provisions without exclusive jurisdiction clauses. See infra Section III.B.
67. Id.
the relevant market share” as a form of “irreparable damage” in intellectual property rights and unfair competition cases.68

B. Anti-Suit Injunctions in FRAND Disputes

Despite the established precedent for granting ASIs in other types of disputes, granting ASIs in FRAND disputes may create ripples. First, an ASI is a powerful tool to tip over the bargaining power in FRAND negotiations.69 In a FRAND dispute, a potential licensee of SEPs usually files a breach of contract claim as a third-party contract beneficiary against SEP holders and asks courts to decide a reasonable royalty rate.70 To gain more robust bargaining power, parties of FRAND disputes file patent invalidation processes, patent infringement, and anticompetition lawsuits targeting the other party’s patents in other jurisdictions.71 But the ultimate goal is to reach a favorable licensing rate, not to pursue patent

68. Id. art. 10.

69. In an SEP licensing negotiation, the resulting license terms are “heavily influenced by [parties’] predictions” as to the court’s possible decision in the infringement lawsuit concerning the SEPs. Melamed & Shapiro, supra note 31, at 2114. In the FRAND dispute between Huawei and Samsung, the Northern District of California acknowledged that “[t]he Chinese injunctions would likely force [Samsung] to accept Huawei’s licensing terms, before any court has an opportunity to adjudicate the parties' breach of contract claims.” Huawei Techs., Co. v. Samsung Elecs. Co., No. 3:16-CV-02787-WHO, 2018 WL 1784065, at *10 (N.D. Cal. Apr. 13, 2018).

70. See, e.g., Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 878 (9th Cir. 2012).

infringement or invalidation of patents. Therefore, an ASI aims to stop the deadlock of parties endlessly filing patent invalidation and patent enforcement lawsuits as an “important tactical weapon.” The FRAND lawsuit then will provide a one-basket disposition of royalty rates under FRAND terms, even if the validity of such patents is the basis for FRAND negotiations and may still be subject to review in other jurisdictions.

Second, the influence of ASIs in such FRAND litigations reaches beyond the parties of the dispute. While the validity of SEPs or actual infringement is not fully adjudicated, the FRAND regime between the two parties provides a critical reference to negotiations between the other holders of SEPs. In addition, a settlement pushed by ASIs may influence the competitiveness of other industrial players. For example, after the United States District Court for the Southern District of California denied Qualcomm’s motion for an ASI in its FRAND dispute with Apple, both parties dropped all litigation worldwide and entered into a global patent license agreement for smartphones. The settlement between Apple and Qualcomm on FRAND disputes not only boosted Qualcomm’s stock price but also hurt Intel’s 5G modem business as Apple switched back to Qualcomm’s technology.

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73. Id. [11]–[13]. An ASI may especially function “to restrain a party from ‘potentially fraudulent’ foreign litigation.” Microsoft Corp., 696 F.3d at 888 (quoting E. & J. Gallo Winery v. Andina Licores S.A., 446 F.3d 984, 993 (9th Cir. 2006)).
74. See generally Microsoft Corp. v. Motorola, Inc., 795 F.3d 1024 (9th Cir. 2015).
76. LG refused Core Wireless’s invitation to negotiate for a license on a portfolio of SEPs and non-SEPs and preferred to “wait until another major cell phone manufacturer licensed the portfolio, at which point LG intended to be ‘a follower’ in the established royalty scheme.” Id. at 1420 (quoting Core Wireless Licensing S.a.r.l. v. LG Elecs., Inc., No. 2:14-CV-912-JRG, 2016 WL 10749825, at *1 (E.D. Tex. Nov. 2, 2016)).
77. See Apple Inc., 2017 WL 3966944, at *1.
The benefits of having an ASI in hand drive major technology giants’ “race to the courthouse” . . . to quickly file suits in their preferred jurisdiction” when a FRAND negotiation fails. Courts favoring higher FRAND rates can also build up a reputation for favoring ASIs by proactively granting ASIs, which in turn encourages forum shopping. However, when patent validity serves as a basis for FRAND negotiation, there are several issues worth discussing when ASIs are granted in such FRAND disputes.


Though multiple courts may have jurisdiction over a contractual dispute, only the court of the patent-issuing state has jurisdiction over the validity and enforcement of a patent. Granting ASIs in FRAND disputes differs from the situation in Gallo. First, the Gallo standard easily justified an ASI by relying on a forum selection clause. However, in a FRAND dispute, parties have not yet agreed on forum selection. The commitment to a FRAND license is merely a basis for a private negotiation. Second, while a patent’s validity and enforceability determine its licensing royalty, courts have generalized FRAND disputes as contract disputes, averting themselves from ruling on the fundamental issue of validity and enforceability of the licensed patents. This situation creates the contract-patent dispute dichotomy.

In the United States, in Microsoft Corp. v. Motorola, Inc., Microsoft filed a breach-of-contract lawsuit as a third-party beneficiary against Motorola in the Western District of Washington, alleging that Motorola breached its


81. See id. at 1101.

82. “[I]f the district court had based its injunction in an expectation that U.S. patent claims could dispose of German patent claims, then it would have erred.” Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 883 (9th Cir. 2012) (citing Stein Assocs., Inc. v. Heat & Control, Inc., 748 F.2d 653, 658 (Fed. Cir. 1984) (acknowledging that “[o]nly a British court, applying British law, can determine validity and infringement of British patents”)).

83. See Daryl Lim, Standard Essential Patents, Trolls, and the Smartphone Wars: Triangulating the End Game, 119 PA. ST. L. REV. 1, 29 (2014). Note that not every country relies on a third-party beneficiary theory as a basis for a contract dispute. For example, German courts do not accept the third-party beneficiary theory and thus rejected Motorola’s FRAND commitment as a contract dispute. See Microsoft, 696 F.3d at 879–80.

84. “[I]ntricate negotiations over patent validity and patent value would take an enormous amount of time,” and commitment to a specific royalty could be conditional on additional information. Lim, supra note 83, at 26 (quoting Lichtman, supra note 8, at 1028).

85. Microsoft, 696 F.3d at 884.
contractual obligations to the International Telecommunication Union (ITU) and IEEE for unreasonable license offers for its SEPs.\textsuperscript{86} The lawsuit was filed under Washington state contract law.\textsuperscript{87} The ITU’s Common Patent Policy requires SEPs to be “accessible to everybody without undue constraints,” and a SEP owner is asked to commit to “negotiate licenses with other parties on a non-discriminatory basis on reasonable terms and conditions.”\textsuperscript{88} However, the Common Patent Policy does not specify details for qualifying licensing terms.\textsuperscript{89} As a result, the parties soon stalled into a deadlock of filing patent infringement lawsuits against each other. Motorola’s affiliate sued Microsoft’s affiliate in Germany, alleging infringement of two German patents, seeking to prevent Microsoft from selling any products using the German patents in Germany.\textsuperscript{90} In response, “Microsoft moved the [U.S.] district court for a temporary restraining order (“TRO”) and preliminary injunction to enjoin Motorola from enforcing any German injunctive relief it might obtain.”\textsuperscript{91}

In reviewing the district court’s grant of injunction relief, the Ninth Circuit spotted the contract-patent dispute dichotomy and opted for the contract dispute route.\textsuperscript{92} First, to circumvent the territorial limit of patent validity and infringement claims, the Ninth Circuit reasoned that the issue before the U.S. court was a “contract interpretation” related to the patent licensing, not the validity or infringement of such patents.\textsuperscript{93} Second, the Ninth Circuit took a step further and held that the contract dispute action in the U.S. court was dispositive of the dispute between the parties, including “the patents at issue in the German suit” because Motorola made an implicit promise under the ITU’s Common Patent Policy to refrain from seeking an injunction to stop Microsoft from implementing its SEPs worldwide.\textsuperscript{94} The Ninth Circuit justified its ASI as an enforcement of Motorola’s commitment under contract law without stepping on the German court’s jurisdiction on

\begin{itemize}
\item \textsuperscript{86} Microsoft, 696 F.3d at 878.
\item \textsuperscript{87} \textit{Id.}
\item \textsuperscript{88} \textit{Id.} at 876.
\item \textsuperscript{89} \textit{Id.}
\item \textsuperscript{90} \textit{Id.} at 879. The German court ruled in favor of Motorola’s claim, including an injunction prohibiting Microsoft from “offering, marketing, using or importing or possessing” its Xbox360 products in Germany. \textit{Id.} at 879–80. This also facilitated Motorola’s litigation plan to gain bargaining power from the German patent litigation. \textit{See id.} at 878.
\item \textsuperscript{91} \textit{Id.} at 880.
\item \textsuperscript{92} “But the district court did not base its injunction on the pendency of parallel patent proceedings. Rather, it is Microsoft’s Washington state contract claims that the district court determined could resolve the German patent claims.” \textit{Id.} at 883. “When that contract is enforced by a U.S. court, the U.S. court is not enforcing German patent law but, rather, the private law of the contract between the parties.” \textit{Id.} at 884.
\item \textsuperscript{93} \textit{Id.} at 883 (citing Western Elec. Co. v. Milgo Elec. Corp., 450 F. Supp. 835, 838 (S.D. Fla. 1978)).
\item \textsuperscript{94} \textit{Id.} at 883–84.
\end{itemize}
the validity and enforcement of German patent claims. The Ninth Circuit then upheld the district court’s ruling that the German infringement lawsuit was “duplicitous and vexatious” because Motorola picked two out of approximately 100 patents to claim infringement to exert “external pressure” and “harass Microsoft with the threat of an injunction removing its products from a significant European market” before the U.S. court ruled on the FRAND contractual dispute.

The Microsoft v. Motorola decision is quite limited in scope—it’s reasoning applies only when the SEP owner files a patent infringement claim against an SEP implementer in a foreign jurisdiction. The judgment raises more questions than answers: Should there be a priority between decisions on patent validity and FRAND rate-setting when patent validity is the prerequisite of patent licensing? Should the “same issue” inquiry focus on the actual impact of the litigations on a FRAND negotiation or facial dichotomy of contract dispute/patent enforcement? Nevertheless, the decision confirmed the application of the Gallo standard in FRAND-related ASI disputes and opened the door for courts granting ASIs in SEP licensing negotiations.

The U.K. Supreme Court also treats FRAND disputes as contract disputes. In its decision in Unwired Planet International Ltd. v. Huawei Technologies (UK) Co., the court construed ETSI’s IPR Policy and contractual framework as being “governed by French law” and Clause 6 of ETSI’s IPR Policy as an SEP owner’s “irrevocable undertaking or contract” to grant a patent license to SEP implementers, leaving the details of the FRAND licensing unspecified. An SEP owner limits its ability to seek an injunction in exchange for ensuring the validity of such patents goes

95. Id.
96. Id. at 886.
98. “[P]atents are probabilistic rights and allowing patentees to bargain based on the presumptions of validity and infringement would allow them to ‘extract far more in expectation than in a process in which validity and infringement could be determined instantaneously.’” Lim, supra note 83, at 46 (quoting Kai-Uwe Kühn, Justifying Antitrust Intervention in ICT Sector Patent Disputes: How to Address the Hold-Up Problem, 9 COMPETITION POL’Y INT’L 100, 105 (2013)).
unchallenged.\textsuperscript{100} The U.K. Supreme Court regards the IPR Policy as an industry-wide enforceable contract among ETSI members.\textsuperscript{101}

Likewise, the Supreme People’s Court of the People’s Republic of China recently held that a FRAND dispute is a contract formation dispute, ruling on a jurisdictional challenge raised by Nokia Corporation and its affiliates against OPPO Guangdong Mobile Communications Co.\textsuperscript{102} The Supreme People’s Court reasoned that once an SEP holder promises to license under FRAND terms, the court is no longer ruling on the eligibility of SEP licensing, but rather on the specific licensing conditions.\textsuperscript{103} Therefore, “a dispute arising from a negotiation of FRAND terms is a contract formation dispute, which is, in principle, a contract dispute.”\textsuperscript{104}

Despite its prevalence among courts of different jurisdictions, the contract dispute route has limitations in practice. In Apple Inc. v. Qualcomm Inc., the Southern District of California explicitly declined to extend Microsoft to foreign litigations initiated by SEP implementers because an implementer has not made any similar commitment to ETSI.\textsuperscript{105} In contrast to Microsoft, where Motorola’s commitment to FRAND terms effectively mooted Motorola’s right to bring patent enforcement actions in a foreign court, in Apple, Apple is a third-party beneficiary and is not prevented from challenging the validity of Qualcomm’s patents nor questioning anticompetitive actions related to such patents by Qualcomm under foreign laws.\textsuperscript{106} The court found Apple’s use of such claims was not vexatious because “antitrust laws differ significantly from jurisdiction to jurisdiction” and Apple had “a reasonable interest in challenging Qualcomm’s patents forum by forum” to verify the validity and essentiality of Qualcomm’s patents before it could agree to a cross-license arrangement and a FRAND rate with Qualcomm.\textsuperscript{107} The reasoning in Apple casts doubt on the rationale

\textsuperscript{100} Id. [61] (“The IPR Policy imposes a limitation on a SEP owner’s ability to seek an injunction, but that limitation is the irrevocable undertaking to offer a licence of the relevant technology on FRAND terms, which if accepted and honoured by the implementer would exclude an injunction.”).

\textsuperscript{101} Id. [8] (“The ETSI IPR Policy . . . is a contractual document, governed by French law. It binds the members of ETSI and their affiliates . . . . By requiring an IPR holder whose invention appears to be an Essential IPR to give an irrevocable undertaking to grant a licence of the IPR on FRAND terms, it creates a ‘stipulation pour autrui’, in other words an obligation which a third-party implementer can enforce against the IPR holder. The IPR Policy fails to be construed, like other contracts in French law, by reference to the language used in the relevant contractual clauses of the contract and also by having regard to the context.”).

\textsuperscript{102} Nokia Corporations Su OPPO Guangdong Yidong Tongxin Youxian Gongs [诺基亚公司诉 OPPO 广东移动通信有限公司] (Nokia Corp. v. OPPO Guangdong Mobile Comms’ns Co.), (2022) ZuiGaoFa Zhimin Xiazhong No. 167 (Sup. People’s Ct. 2022) (China).

\textsuperscript{103} Id.

\textsuperscript{104} Id.

\textsuperscript{105} Id. at *10 (S.D. Cal. Sept. 7, 2017).

\textsuperscript{106} Id.

\textsuperscript{107} Id. at *13.
courts apply when granting ASIs in FRAND disputes: when a foreign country’s public concern—for example, market competition—is under review in a foreign jurisdiction, should a court ruling on a FRAND dispute still enjoin parties from continuing lawsuits in a foreign court? In response, courts of different jurisdictions provide different justifications.

2. Justifications for Jurisdiction

While the courts use similar factors—including the nature of FRAND disputes, nationality of patents, and judicial efficiency—to justify their jurisdiction for global FRAND terms, the persuasive weight given to each factor is different. For example, U.S. and U.K. courts focus more on domestic implications by exclusively ruling on a global FRAND rate. China, on the other hand, focuses its analysis much more significantly on seeking the best venue out of all the international venues in which to handle the global FRAND rate.

a. The United States

As discussed earlier, U.S. courts rely heavily on the contract-dispute theory. In Microsoft, the Ninth Circuit reasoned that while patent rights are enforceable under foreign laws within the granting territory, a party could still agree to reserve or limit rights related to a foreign patent “in a contract enforceable in U.S. courts.” Even absent a forum selection clause, when an SEP holder promises to license its SEP worldwide and avail itself of a U.S. court, the Ninth Circuit saw a “broader principle” that courts should “give effect to freely made contractual agreements” before it under “the private law of the contract.”

b. The United Kingdom

The U.K. Supreme Court justifies its jurisdiction on ruling on a global FRAND rate, instead of U.K. patents only, in its opinion in Unwired Planet v. Huawei. Though no ASIs were issued, the U.K. Supreme Court discussed extensively its justification for deciding a global FRAND rate, disregarding the fact that the parties have filed patent infringement lawsuits and even FRAND term lawsuits in other jurisdictions. While U.S. courts

108. Id. at *17–18.
109. Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 884 (9th Cir. 2012).
110. Id. at 884–85.
112. Id. [31], [34].
mainly focus on SEP owners’ breach of commitment to SSOs, the U.K. Supreme Court mainly focuses on preventing SEP implementers overstepping the protection rendered by SSOs.¹¹³ This is also evidenced by the recent decision in Optis v. Apple by the U.K. Court of Appeals, in which the court explained that an ASI in a FRAND dispute seeks to both prevent “hold-up” by SEP owners and “hold-out” by SEP implementers.¹¹⁴

In Unwired Planet v. Huawei, Unwired Planet became an SEP owner by acquiring a portfolio of SEPs from Ericsson.¹¹⁵ Huawei obtained a license from Ericsson but continued to use the technology after the license expired in 2012.¹¹⁶ Unwired Planet sued Huawei for infringement of five out of the twenty-nine U.K. patents.¹¹⁷ Unwired also filed similar complaints in Germany simultaneously,¹¹⁸ while Huawei challenged the validity of Unwired’s patents in China.¹¹⁹

In the same decision, the U.K. Supreme Court also ruled on the FRAND dispute between Conversant Wireless Licensing, Huawei, and ZTE Corp. Conversant is an intellectual property licensing company registered in Luxembourg and acquired a portfolio of about 2,000 Nokia patents and applications covering more than forty countries.¹²⁰ It performs licensing declaration for ETSI based on Nokia’s SEPs.¹²¹ Conversant sued Huawei and ZTE, both telecommunications technology companies headquartered in China, in England, and asked the court to determine a global FRAND term.¹²² Before the hearings in U.K. courts, Huawei and ZTE challenged the validity of Conversant’s eleven Chinese patents, eight of which were ruled invalid in China.¹²³ In the patent invalidation proceedings in China, Huawei and ZTE also “offered Conversant to allow the Chinese courts to address global FRAND terms and rates.”¹²⁴ Conversant rejected the offer.¹²⁵ Besides the U.K. and Chinese proceedings, the parties filed lawsuits in other jurisdictions. Conversant also sued Huawei, ZTE, and their German subsidiaries in Germany for infringement of German patents.¹²⁶

¹¹³ Id. [59], [61].
¹¹⁶ Id.
¹¹⁷ Id. The portfolio covers a total of 276 patents or applications of patents covering 42 countries. Id.
¹¹⁸ Id. [19].
¹¹⁹ Id. [22].
¹²⁰ Id. [17].
¹²¹ Id.
¹²² Id. [30].
¹²³ Id. [31], [34].
¹²⁴ Id. [34].
¹²⁵ Id. [34].
¹²⁶ Id. [31].
The U.K. Supreme Court affirmed the trial court’s decision that U.K. courts have jurisdiction over a global FRAND license.127 The U.K. Supreme Court justified its jurisdiction for three reasons.

First, in response to Huawei’s challenge that U.K. courts are “setting themselves up as a de facto global licensing tribunal,” the U.K. Supreme Court reasoned that the practice of ruling on a global FRAND in an appropriate case is in line with the practices of other jurisdictions.128

Second, the U.K. Supreme Court agreed with U.S. courts that the nature of the contractual arrangement between SEP holders and implementers enables a court to enforce the FRAND agreement in its own jurisdiction.129 While the U.S courts focus on SEP holders’ promise not to bring a patent infringement lawsuit, the U.K. Supreme Court focused on SEP implementers’ right to seek injunctive relief for an English patent if they are found complying with FRAND obligation and SEP implementers’ contractual defense under the ETSI IPR Policy.130

Third, in response to ZTE’s argument that China is a more suitable venue, the U.K Supreme Court looked for a “more suitable as a forum for the determination of the dispute between the parties.”131 The rationale for

127. Id. [25], [84].
128. Id. [66].
129. Id. [67]. After an examination of court decisions in the United States, Germany, China, Japan, and the European Commission, the U.K. Supreme Court reasoned that it is not deviating from the practices of other jurisdictions. Id. [68]–[83].
130. Id. [88].
131. Id.
132. Id.
133. Optis Cellular Tech. LLC v. Apple Retail U.K. Ltd. [2022] EWCA (Civ) 1411 [68] (Eng.) ("[S]eeking a licence on FRAND terms must involve agreeing to take a licence on terms that are objectively FRAND.").
135. Id. [90].
136. ZTE’s argument is also called forum non conveniens. ZTE argued that China is a more appropriate jurisdiction to resolve the FRAND dispute in this case because Chinese courts have already been ruling on patent enforcement claims. See Unwired, [2020] UKSC 37 [57].
137. Id. [94].
determining such a forum should not compel the owner of patent portfolios to enforce patents granted in other countries that the owner does not seek to enforce in the current case. The U.K. Supreme Court rejected China as a more suitable forum for two reasons. First, ZTE failed to prove that China is a more appropriate jurisdiction. The parties had not agreed on litigating the case in China since Conversant had declined Chinese courts’ jurisdiction over the FRAND dispute. Also, the prospect of Chinese courts determining a global FRAND license is “no more than speculative.” Second, in such a dispute, the SEP owner, not the implementer, should not be forced to change its decision on which patents to enforce merely because of “a common FRAND defence.” The U.K. Supreme Court insisted on ruling on a global FRAND rate notwithstanding identical claims in other jurisdictions and refused to grant further stay due to the “adverse commercial effect of further delay” for enforcing the SEP owner’s right.

c. China

China’s Supreme People’s Court, in its most recent 2022 decision in *Nokia v. OPPO*, justified itself as the proper venue for setting global FRAND terms between parties by emphasizing the nationality of patent portfolios and future enforcement of FRAND terms. Based on the following factors, China’s Supreme People’s Court found that China is the venue with a closest connection: Chinese patents make up 46% of the SEP portfolio; both the licensor and the licensee involve entities registered in China; the negotiation of the FRAND license took place within the territory of China; it is reasonably foreseeable that the FRAND agreement would primarily be performed within the territory of China; and it is more

138. Id. [95].
139. Id. [97].
140. Id. [34].
141. Id. [104].
142. Id. [95]–[96].
143. Id. [104].
144. See Nokia Corporations Su OPPO Guangdong YidongTongxin Youxian Gongsi ([诺基亚公司诉 OPPO 广东移动通信有限公司 ] [Nokia Corp. v. OPPO Guangdong Mobile Comm’ns Co.], (2022) ZuiGaoFa Zhimin Xiazhong No. 167 (Sup. People’s Ct. 2022) (China), at 7.
145. Id. The “most significant relationship test” is a choice-of-law rule, not a choice-of-venue rule, under private international law. See, e.g., *RESTATMENT (SECOND) OF CONFLICT OF L. § 145(1) (AM. L. INST. 1971) (“The rights and liabilities of the parties with respect to an issue in tort are determined by the local law of the state which, with respect to that issue, has the most significant relationship to the occurrence and the parties under the principles stated in § 6.”); Shewai Minshuiminxi FaSu Shiyoujia (涉外民事关系法律适用法) [Law of the People’s Republic of China on the Application of Laws to Foreign-Related Civil Relations] (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 28, 2010, effective April 1, 2011), art. 2, http://www.gov.cn/flfg/2010-10/28/content_1732970.htm [https://perma.cc/W8RD-WRGX] (China) (In Chinese courts, the laws of the jurisdiction most significantly related to the case applies in a civil case, except when specified by other laws).
efficient for a Chinese court to examine OPPO’s actual implementation of licensed SEPs.\footnote{146}

3. International Comity and Conflicting Court Decisions

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.”\footnote{147} While the courts of different jurisdictions weigh international comity and potential conflicting court decisions differently, China weighs international comity much more heavily.

The ASI issued by the Supreme People’s Court in Huawei Techs. Co. v. Conversant Wireless Licensing S.a.r.l. is the first ASI in FRAND disputes issued by a Chinese court.\footnote{148} On January 25, 2018, Huawei sued Conversant in Nanjing Intermediate People’s Court of Jiangsu Province (the “Nanjing Court”) for a declaratory judgment of noninfringement of Conversant’s Chinese patents and FRAND terms and rate within the territory of China.\footnote{149} On April 20, 2018, Conversant sued Huawei for patent infringement and FRAND rate in Düsseldorf, Germany.\footnote{150} On August 27, 2020, the Düsseldorf court ruled that Huawei infringed Conversant’s European

\footnote{146. See Nokia Corp. v. OPPO Guangdong Mobile Commc’ns Co., ZuiGaoFa Zhimin Xiazhong No. 167 (Sup. People’s Ct. 2022) (China), at 6, 8.
147. E. & J. Gallo Winery v. Andina Licores S.A., 446 F.3d 984, 994 (9th Cir. 2006) (quoting Hilton v. Guyot, 159 U.S. 113, 164 (1895)). The Ninth Circuit in Gallo reversed the district court’s finding on the doctrine of comity and decided that the doctrine is neither an “absolute obligation” nor “mere courtesy and good will.” Gallo, 446 F.3d at 994–95 (quoting Hilton, 159 U.S. at 163–64). A nation is not under “an unremitting obligation to enforce foreign interests which are fundamentally prejudicial to those of the domestic forum. Thus, from the earliest times, authorities have recognized that the obligation of comity expires when the strong public policies of the forum are vitiated by the foreign act.” Id. at 995 (quoting Laker Airways Ltd. v. Sabena Belgian World Airlines, 731 F.2d 909, 937 (D.C. Cir. 1984)). For a detailed explanation of U.S. courts’ reasoning on comity, see supra Section III.A.1.
148. On August 28, 2020, the Supreme People’s Court of the People’s Republic of China issued its first ASI on a motion by Huawei. See Huawei Jishu Youxian Gongsi, Kangwensen Wuxian Xuke Youxian Gongsi Shengqing Chengren He Zhixing Waigu 10.9 F.3d 984, 994 (9th Cir. 2006) (quoting Hilton v. Guyot, 159 U.S. 113, 164 (1895)). The Ninth Circuit in Gallo reversed the district court’s finding on the doctrine of comity and decided that the doctrine is neither an “absolute obligation” nor “mere courtesy and good will.” Gallo, 446 F.3d at 994–95 (quoting Hilton, 159 U.S. at 163–64). A nation is not under “an unremitting obligation to enforce foreign interests which are fundamentally prejudicial to those of the domestic forum. Thus, from the earliest times, authorities have recognized that the obligation of comity expires when the strong public policies of the forum are vitiated by the foreign act.” Id. at 995 (quoting Laker Airways Ltd. v. Sabena Belgian World Airlines, 731 F.2d 909, 937 (D.C. Cir. 1984)). For a detailed explanation of U.S. courts’ reasoning on comity, see supra Section III.A.1.
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150. Id.}
As a result, Huawei was enjoined from selling, using, importing, or possessing any mobile terminals in Germany. The Düsseldorf court also ruled that Conversant’s offered licensing rate, which is 18.3 times the FRAND rate decided by the Nanjing Court, complies with FRAND. On the same day, Huawei moved for an ASI at the Supreme People’s Court against the enforcement of the decision by the Düsseldorf court until the Supreme People’s Court made a final decision on the FRAND rate in China. In September 2019, the Nanjing Court granted the FRAND rate of Chinese patents FRAND terms and in November 2019, the Supreme People’s Court accepted Conversant’s appeal for a higher FRAND rate. The procedural histories of the Chinese and German cases demonstrate how parties to a FRAND dispute become entangled with each other by filing suits in different jurisdictions and how court decisions conflict in deciding the FRAND rate.

In its ASI decision, the Supreme People’s Court extensively discussed international comity and the impact of conflicting decisions. It listed the factors it considers when granting ASIs: whether the parties to the Chinese and foreign litigation are identical; whether there is overlap in the litigated issue; whether the effect of the respondent’s extraterritorial litigation interferes with the Chinese litigation; whether the failure to grant an ASI would cause irreparable damage to the legitimate rights and interests of the applicant or impede enforcement of the Chinese court’s ruling; and the impact of the doctrine of comity, including which case was filed first, the appropriateness of the jurisdiction, and the impact on the hearing and adjudication by extraterritorial courts.

Though none of the factors are dispositive, the Supreme People’s Court attached particular importance to conflicting court decisions. In this case, first, the Supreme People’s Court took Huawei’s filing of a lawsuit in China before Conversant’s filing of a lawsuit in Germany as a critical factor under the doctrine of international comity. In contrast, both the Ninth Circuit in Microsoft and the U.K. Supreme Court in Unwired Planet focused on the contractual arrangement between parties and were less concerned about comity.

151. Id.
152. Id.
153. Id.
154. Id.
155. Id.
156. Id.
157. Id.
158. See id.
159. See Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 887–88 (9th Cir. 2012); Unwired Planet Int’l Ltd. v. Huawei Techs. (UK) Co. [2020] UKSC 37 [57]–[58] (appeal taken from Eng.).
Second, the Supreme People’s Court found the conflicts between the German decision and Chinese decision to be intolerable. The Supreme People’s Court found it unacceptable that its decision would be practically unenforceable when Huawei will be either forced out of the German market or accept Conversant’s global royalty offer under the German decision. The Supreme People’s Court based its decision on balancing both parties’ interests: namely, comparing Conversant’s damages associated with not having one trial court decision enforced immediately with Huawei’s damages related to being forced out of the entire German market or accepting Conversant’s global FRAND rate, practically forfeiting any remedies in Chinese courts. Likewise, the U.K. Supreme Court viewed one-basket FRAND dispute resolution in one jurisdiction as the principle. However, when both jurisdictions seek to resolve a global FRAND dispute within their own jurisdiction, the problem of which jurisdiction should prevail arises. In other words, what China’s Supreme People’s Court takes as a concern is precisely what the U.K. Supreme Court takes as an advantage for asserting its own jurisdiction in a global FRAND decision.

Huawei and Conversant settled the FRAND rate of the Chinese market and patent infringement claims approximately one month after the ASI was issued. The scope of the injunction granted in Huawei v. Conversant is consistent with the ASI granted in Microsoft: parties are enjoined from enforcing a specific foreign injunction on SEP implementation. What makes ASIs issued by the Chinese court controversial is the Xiaomi Communication Technology Co. v. InterDigital, Inc. decision, which prohibited InterDigital from filing any FRAND claims in other courts worldwide.

161. Id.
162. Id. The Supreme People’s Court of China rejected Conversant’s argument that the decision limited its rights under German law. The Supreme People’s Court of China reasoned that the decision is made under the laws of China, and its decision does not rule on infringement of any European patents disputed in German lawsuit, does not comment on the German court’s judgment or enforcement of such judgment, and does not interfere with any substantial rights in the German lawsuit nor legality of German court’s decision. Huawei Techs. Co. v. Conversant Wireless Licensing S.a.r.l., ZuiGaoFa Zhimin Xiazhong No. 732, 733, 734-2, 1 Sup. People’s Ct. Gaz. (Sup. People’s Ct. Sept. 11, 2020) (China).
163. See Unwired, [2020] UKSC 37 [61]–[62] (“The IPR Policy imposes a limitation on a SEP owner’s ability to seek an injunction, but that limitation is the irrevocable undertaking to offer a licence of the relevant technology on FRAND terms, which if accepted and honoured by the implementer would exclude an injunction…. The IPR Policy is intended to have international effect…”).
In Xiaomi, the Intermediate People’s Court of Wuhan (the “Wuhan Court”) first confirmed that a FRAND dispute is a contract dispute. The Wuhan Court also implicitly confirmed the parties had the right to apply for injunctive relief outside the territory of China, but the Wuhan Court found malice of “abusing injunctions” in InterDigital’s filing injunctions in India court in this case and damage to Xiaomi’s operations in the Indian market. The Wuhan Court took a step further to prevent any “interference” of the ongoing litigation: since the Wuhan Court had accepted the global FRAND claim, InterDigital should thus refrain from filing and enforcing any temporary or permanent injunctions and filing any SEP licensing claims in other courts in China and courts in other jurisdictions. The Xiaomi decision shows Chinese courts’ determination in granting ASIs with wide geographic coverage and the sweeping effort to enjoin any other parallel proceedings when they are reviewing a global FRAND dispute.

4. Non-Practicing Entities

China also takes non-practicing entities as essential consideration when granting ASIs. In Xiaomi, the Wuhan Court took issue with non-practicing entities bringing patent infringement claims in other jurisdictions. A non-practicing entity refers to an entity that does not produce or manufacture patent-bearing products. The Wuhan Court reasoned that an ASI is justified in this case because InterDigital, a non-practicing entity that does not manufacture any SEP bearing products, would suffer minimal damages even if they are enjoined from filing suits against Xiaomi in foreign jurisdictions. The reasoning here echoes Justice Kennedy’s concern in eBay Inc. v. MercExchange, L.L.C.: non-practicing entities using injunctions as “undue leverage in negotiations [of patent licensing]” serves

167. Id. at 8.
168. Id. at 11.
170. See Xiaomi, 2020 E01 Zhiminchu No. 169-1, at 8.
171. Id.
no public interest. The U.K Supreme Court shares the same concern, but found its hands tied because there is “no legal basis” for treating non-practicing entities differently in a FRAND dispute.

5. Summary

The above decisions demonstrate several critical issues in FRAND-ASI disputes. First, is it appropriate for courts to rule on FRAND disputes while disregarding an ongoing patent validity challenge in a different jurisdiction? On the one hand, courts generally recognize the contractual obligation on SEP owners to license SEPs; on the other hand, in practice, an SEP owner, based on its strong bargaining power to potentially exclude implementers’ products from a particular geographic market, enjoys great discretion in determining details of licensing terms, including royalties. Determining the FRAND royalty rate requires consideration of various factors, including a reasonable aggregate rate for the standard, “reasonable license fee expectations on both sides,” the SEP implementer’s efforts to promote the standard, and validity of patents in a specific jurisdiction, given the importance of that jurisdiction as a

172. See eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396–97 (2006) (Kennedy, J., concurring) (“An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees . . . . For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent . . . . When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations . . . . an injunction may not serve the public interest.” (citations omitted)).


177. Unwired, [2020] UKSC 37 [15] (“SEP owners . . . would as a matter of practice voluntarily negotiate worldwide licen[s]es, or at least licen[s]es from which a given territory is carved out while the rest of the world is licensed.”); see also Conversant, 1 Sup. People’s Ct. Gaz. 732, 733, 734-1.


180. Id.
market. Royalty rates in FRAND disputes largely depend on the royalties payable in major markets. It is not practical to adjudicate invalidity and infringement claims for each patent in the portfolio to reach a final decision on FRAND terms. Another concern is to ensure SEP owners’ right to enforce patent rights when an implementer refuses to accept a FRAND rate. The problem is, who has the authority to say “that is enough,” and when?

Second, what is the justification for a court to rule on a global FRAND rate covering patents of other jurisdictions? The U.K. Supreme Court refers to other jurisdictions’ practices in deciding on a global FRAND rate. Such a reference precisely reveals the concern: a court may lose its status as a convenient forum for global FRAND disputes if it does not rule early. This also explains the motivation of courts granting ASIs: courts aim to build up their jurisdiction on global FRAND rates by ruling on such disputes. This in turn drives the parties of a FRAND dispute to file FRAND-related lawsuits in the jurisdictions potentially favorable to them. As discussed above, while U.S. courts and Chinese courts focus

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181. Unwired, [2020] UKSC 37 [64] (“Under a FRAND process the implementer can identify patents which it wishes to challenge on reasonable grounds . . . with the possibility of consequential adjustment of royalty rates, given the importance of China as a market and a place of manufacture.”).

182. See id. [37], [47].

183. See generally Huawei Techs., Co. v. Samsung Elecs. Co., No. 3:16-CV-02787-WHO, 2018 WL 1784065 (N.D. Cal. Apr. 13, 2018). Judge Orrick ruled that Huawei should be enjoined from enforcing the Intermediate People’s Court of Shenzhen’s orders, which enjoined Samsung’s implementation of Huawei’s patents, before Judge Orrick could determine the breach of FRAND commitment claim. Id. at *12. Judge Orrick reasoned: “How am I to adjudicate whether those offers were FRAND, if that determination depends on valuation of global portfolios, and can only be made subsequent to finding each patent valid and essential to the standard? . . . ‘As a result, no tribunal, here or elsewhere, will have ever critically examined Huawei’s licensing structure and determine what appropriate rates would be—let alone adjudicated issues of validity or infringement of the patents at issue, which is a predicate to a true FRAND analysis.’” Id. at *9 (quoting Reply ISO Samsung’s Mot. for a Prelim. Antisuit Inj. at 2, Huawei Techs., Co. v. Samsung Elecs. Co., 2018 WL 1784065).

184. “[W]hat if the SEP owner is willing to do so but the implementer is not?” Optis Cellular Tech. LLC v. Apple Retail U.K. Ltd. [2022] EWCA (Civ) 1411 [15] (Eng.).

185. See Unwired, [2020] UKSC 37 [67]–[84].

186. "The Supreme Court held that the Chinese court could not be the appropriate forum, because Chinese courts have not yet found that they have jurisdiction to determine the terms of a global FRAND licence without the parties’ agreement. . . . The issue of forum non conveniens may be decided differently if and when the alternative foreign courts do have jurisdiction to set worldwide rates.” Cleary Gottlieb, ANALYSIS OF THE UK SUPREME COURT’S DECISION IN UNWIREd PLANET v HUAWEI 5 (2020) (footnote omitted), https://www.clearygottlieb.com/-/media/files/alert-memos-2020/analysis-of-the-UK-supreme-courts-decision-in-unwired-planet-v-huawei.pdf [https://perma.cc/8LTN-KPSG].

187. Id.

188. Id. The phenomenon of courts establishing themselves as models for certain rules is defined as the “race to the bottom.” See Contreras, The New Extraterritoriality, supra note 6, at 280–82. “[T]he 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. . . . [J]urisdictions that
more on implementers’ rights to enforce SEP owners’ commitments to FRAND terms, U.K. courts set themselves up as a pro-patentee jurisdiction. The competition among jurisdictions leads to the proliferation of ASIs.

Third, what do ASIs seek to achieve? The Gallo test shows how the Ninth Circuit decisions would dispose of a foreign lawsuit. In contrast, the Supreme People’s Court of China focuses on how a foreign case would impact the enforcement of Chinese court decisions. As a result, courts defending their jurisdiction to decide FRAND disputes start to issue anti-ASIs in response.

IV. ENDLESS GAME: ANTI-ANTI-SUIT INJUNCTIONS AND JUSTIFICATIONS

A. Anti-ASI Suits

On January 11, 2021, upon motion by Ericsson Inc., the U.S. District Court for the Eastern District of Texas granted a preliminary injunction enjoining Samsung from taking any action in a parallel FRAND claim in the Wuhan Court, including enforcement of an ASI granted by the Wuhan Court. The injunction aimed to prevent interference with the district court’s jurisdiction to decide the FRAND dispute between Ericsson and

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. . . . 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.” Id. at 282–83 (footnotes omitted).

189. See E. & J. Gallo Winery v. Andina Licores S. A., 446 F.3d 984, 991 (9th Cir. 2006).


191. See infra Section IV.A.

Samsung filed a lawsuit in China four days before Ericsson filed its lawsuit in the Eastern District of Texas, and it obtained an ASI after Ericsson filed suit in Texas. The injunction by the Eastern District of Texas functions as a rejection of the ASI issued by the Wuhan Court and stimulates extensive discussion of parties filing duplicative FRAND claims to forum shop around the world. The Eastern District of Texas followed the ASI standard set up by the Fifth Circuit. The anti-ASI added more complexity to the chaos.

First, the decision by the Eastern District of Texas would, in effect, encourage parties of FRAND disputes to rush to different countries to file identical lawsuits and seek bargaining power. Different from Microsoft, where the German patent infringement lawsuit was filed after the breach of contract claim in U.S. court, Ericsson filed the breach of FRAND claim in the United States after Samsung filed its claim in the Wuhan Court in China. To justify its jurisdiction, the Eastern District of Texas found separate legal questions, and thus no duplicative lawsuits, by rigidly distinguishing the issue in the Wuhan Court (Samsung asking for a specific FRAND licensing rate) from the issue in this case (Ericsson asking for an evaluation of a potential breach of FRAND commitment). But in a FRAND dispute, the cross-licensing of SEPs is so common that parties will generally reach one global FRAND license agreement. Separating the legal questions may not be a practicable solution in FRAND disputes.

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194. Id. at *1–3. On December 7, 2020, Samsung filed the complaint in the Wuhan Court, requesting a FRAND licensing term. On December 11, 2020, Ericsson filed the complaint in the Eastern District of Texas, alleging breach of FRAND terms. Id. at *1. On December 17, 2020, Ericsson was notified of Samsung’s complaint in the Wuhan Court. On December 25, 2020, the Wuhan Court issued the ASI. Id. at *2. On January 11, 2021, the Eastern District of Texas signed the anti-ASI. Id. at *1.
196. See Ericsson, 2021 WL 89980, at *3; see also supra Section IIIA.
197. See Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 878–79 (9th Cir. 2012).
199. Id. at *6.
200. See, e.g., id. Samsung, in its Chinese complaint, asked the court to determine the global licensing terms, including the royalty rates, for Samsung according to FRAND for licensing of SEPs held or controlled by Ericsson and its affiliates. Ericsson, in its complaint, alleged that Samsung breached its obligation to license SEPs to Ericsson on FRAND terms pursuant to Samsung’s promise to ETSI. “Samsung and Ericsson have entered into global patent licenses, most recently in 2014 a cross-license to reciprocally use their SEPs . . . [O]ver the past year the parties have negotiated terms of a renewed global cross-license,” Id. at *1 (citations omitted). See also Unwired Planet Int’l Ltd. v. Huawei Techs. (UK) Co. [2020] UKSC 37 [15] (appeal taken from Eng.) (“Implementers in the telecommunications industry are often also owners of many SEPs and negotiate cross-licen[s]es with other implementers.”).
Second, the Eastern District of Texas’s decision brings back the discussion of the contract dispute/patent invalidation dichotomy. Senator Thom Tillis, former Federal Circuit judge Paul R. Michel, and former PTO director Andrei Iancu argued in an amicus brief that the Wuhan Court’s ASI limits U.S. courts “to adjudicate the potential infringement of U.S. patents on U.S. soil” and to determine the monetary value of U.S. patents. The problem is that courts define the FRAND obligation as a contractual dispute unrelated to patent evaluation when granting an ASI, but define the same dispute as a patent enforcement claim when granting anti-ASIs.202

Third, the decision by the Eastern District of Texas leaves the question open: could a global FRAND rate ever be resolved by a single jurisdiction when it is inevitable that a FRAND court ruling will include the evaluation of patents granted in other jurisdictions? Admittedly, the Eastern District of Texas sought to rescue Ericsson from the “inequitable hardship” of “being excluded from bringing causes of actions” in the United States, a forum “where both parties have a significant presence”;203 however, the court here should be careful not to presuppose one jurisdiction as a preferred forum to rule on FRAND terms over another. While U.S. courts recreate a hypothetical negotiation and follow a comparable license approach, other jurisdictions should be allowed to follow their own rules to decide on FRAND rates.205 By presupposing particular methods to determine a FRAND rate, courts are doing precisely what they objected to in the first place: stepping into the shoes of other jurisdictions’ authority on patent evaluation.206 The decision of the Eastern District of Texas also produces a

202. See infra Section III.C.
204. See LaserDynamics, Inc. v. Quanta Computer, Inc., 694 F.3d 51, 60 (Fed. Cir. 2012) (the Georgia-Pacific case set up the “analytical framework for assessing a reasonable royalty, which also is referred as “hypothetical negotiation.”) (citing Georgia-Pacific Corp. v. United States Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970)).
205. “FRAND determinations rest not only on cold economic calculus, but also on the particular social or political bedrock of the jurisdiction making the royalty calculations.” Greenbaum, No Forum to Rule Them All, supra note 80, at 1100. This is also evidenced in Unwired v. Huawei, where the U.K. Supreme Court recognized that Japan and China use methods similar to the “top-down” approach, which calculates the royalty based on the proportional value of SEPs in each licensor’s patent portfolio for a product. See Unwired, [2020] UKSC 37 [42], [46]. Specifically, Chinese courts consider actual losses suffered by the patentee, the actual gains derived by the infringer, a reasonable license royalty, and statutory compensation subject to courts’ discretion when ruling on damages. Zhuani Fa (专利法) [Patent Law] (promulgated by the Standing Comm. Nat’l People’s Cong., effective Mar. 12, 1984; rev’d Oct. 17, 2020), art. 71 (China).
206. “A forum that takes control of a global FRAND dispute, with all the associated elements of innovation, competition and economic policy, presumes the authority to impose its own values worldwide.” Greenbaum, No Forum to Rule Them All, supra note 80, at 1101.
sliding-scale effect of courts disregarding international comity: courts may engage in an endless game of granting anti-ASIs and anti-anti-ASIs.\textsuperscript{207}

Ericsson settled with Samsung before the Fifth Circuit ruled on the anti-ASI motion.\textsuperscript{208} However, the Eastern District of Texas’ decision in \textit{Ericsson} demonstrates how Pandora’s box can be opened.\textsuperscript{209} The growing concern of courts stepping on other jurisdictions’ exclusive authority to evaluate patents and costly court proceedings in multiple jurisdictions calls for an efficient and effective dispute resolution mechanism for FRAND disputes worldwide.

**B. A FRAND Injunction**

On October 27, 2022, in ruling on the patent infringement and FRAND licensing dispute between Optis (the SEP owner) and Apple (the SEP implementer), the Court of Appeal of England and Wales supported a new path to establish its jurisdiction: granting a FRAND injunction.\textsuperscript{210} A FRAND injunction entitles an SEP owner to “an immediate injunction” against an SEP implementer before a court decides on the FRAND terms, unless and until the implementer agrees to accept the to-be-determined FRAND terms.\textsuperscript{211} A FRAND injunction ties patent enforcement claims to FRAND licensing disputes.

In \textit{Optis v. Apple}, among multiple claims, Optis sued Apple for infringement of eight patents out of Optis’s global SEP portfolio.\textsuperscript{212} In response, Apple counterclaimed that Optis “abused a dominant position.”\textsuperscript{213} Apple argued that an injunction would allow Optis to charge “excessive prices” for its SEPs by placing “undue and unfair pressure on Apple to take whatever licence terms were demanded.”\textsuperscript{214} Though the \textit{Optis v. Apple} case does not involve a court issuing any injunctions against proceedings in other jurisdictions, the Court of Appeal indicated it had the ability to disregard


\textsuperscript{209} See infra Section III.C.

\textsuperscript{210} Optis Cellular Tech. LLC v. Apple Retail U.K. Ltd. [2022] EWCA (Civ) 1411 [1–3], [114] (Eng.).

\textsuperscript{211} Id.

\textsuperscript{212} Id. [16].

\textsuperscript{213} Id. [18].

\textsuperscript{214} Id. [42].
other jurisdictions’ ASIs. The Court of Appeal confirmed the lower court’s reasoning that waiting for “other proceedings in other jurisdictions” forms a “potential hold-out which damages the patentee” because such waiting would be like a “compulsory licence,” constituting a “substantive loss of rights” for SEP owners.215

The Court of Appeal’s decision has a sweeping effect. The decision requires SEP implementers to choose either to accept the court’s decision of FRAND terms or cease having products bearing SEPs on the U.K. market.216 What the decision left unanswered is, what if the implementer wants or has already initiated a FRAND term claim in another jurisdiction? This is precisely the concern the Supreme People’s Court of China discussed in its Huawei v. Conversant decision.217

C. The Proliferation of Anti-ASIs and Alike Practice Around the World

This section summarizes courts’ major reasoning for granting anti-ASIs or judgments of similar effect in recent years. The reasoning shows that courts in major jurisdictions generally refute ASIs by emphasizing the SEP owners’ right to enforce their patents in the patent-granting jurisdiction.

| Case Name            | Year | ASI/FRAND Jurisdiction                      | Anti-ASI Jurisdiction                      | Summary of Reasoning for Anti-ASI or Judgment of Similar Effect |
|----------------------|------|--------------------------------------------|--------------------------------------------|-----------------------------------------------------------------
| Continental v. Nokia | 2019 | U.S. District Court for the Northern District of California (withdrawn by parties) | Munich Higher Regional Court, Germany218 (first anti-ASI by a German court) | An anti-suit injunction would prevent parties from asserting their patent rights in court, and it would encroach on the patent owner’s exclusive right, thus “endanger[ing] the sovereign rights of the |

215. *Id.* [45]; see also *id.* [63] (“Hold out by the implementer will be avoided by allowing the SEP owner to enforce its normal right under the general law to obtain an injunction to prevent infringement of the SEP by the implementer save to the extent that this would be inconsistent with the SEP owner’s ETSI Undertaking.”).

216. “All that Apple have to do to obtain a licenc[es] upon FRAND terms is to accept the court’s determination.” *Id.* [94].

217. See supra Section III.B.3.

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<td>IPCom v. Lenovo</td>
<td>2020</td>
<td>U.S. District Court for the Northern District of California (withdrawn by parties)</td>
<td>The ASI “characterizes a manifestly unlawful disturbance” of a patent holder’s right because it withholds “access [to] the only judge competent to rule on the infringement.” Even if the ASI “only lasts for the time of the proceedings before the American judge,” considering the “limited duration of protection granted to the owner of a patent,” an ASI “amounts to a concrete deprivation of the right[s] of patent holders.”</td>
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<tr>
<td>InterDigital v. Xiaomi</td>
<td>2020</td>
<td>Intermediate People’s Court in Wuhan, China</td>
<td>Enforcing the ASI will make the plaintiff “completely prohibited . . . from prosecuting its claim for injunction against infringement . . . of the suit patent” and subject to a court that “does not possess the jurisdiction to decide the issue of infringement of the plaintiff patent,” thus “interdict[ing] the plaintiff from prosecuting the said claim before the only</td>
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221. Id. [57].


223. LG, Feb. 25, 2021, No. 7 O 14276/20, juris (Ger.).

V. PROPOSAL: UNIFORM FRAND DISPUTE RESOLUTION MECHANISM

Specifically, in response to Huawei’s concern about forum shopping, conflicting judgments, and applications for ASIs, the U.K. Supreme Court pointed out that such risks result from a lack of “any international tribunal

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<td>Oppo v. Sharp</td>
<td>2021</td>
<td>Shenzhen Intermediate People’s Court in China, Supreme People’s Court of China</td>
<td>Tokyo District Court, Japan[226] The court granted a judgment on patent validity and infringement, notwithstanding the ASI issued by the Chinese court. [227]</td>
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<tr>
<td>Optis v. Apple</td>
<td>2022</td>
<td>United Kingdom</td>
<td>Not applicable.</td>
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225. See id. [106]; see also id. [107] (“What the defendants suggest is, therefore, that the plaintiffs should sit back and helplessly watch continued infringement of their suit patents by the defendants (as the plaintiffs would allege) without being able to lift a finger to prevent it, even while legal remedies, for redressal, continue to remain available in this country under the Patents Act. This would, clearly, render the Patents Act, and the statutory guarantees available thereunder, both otiose and impotent.”). The High Court of Delhi also commented on the ASI granted in Microsoft v. Motorola, 696 F.3d 872 (9th Cir. 2012). The argument that “Motorola could . . . continue agitating for damages or other non-injuncting remedies . . . is completely unacceptable . . . . The right to seek remedy against infringement of patents, validly held by the plaintiff, is a pre-eminent right, with the right to claim damages being residuary in nature, and not vice versa.” Id. [109].


227. Id.

228. See supra Section III.B.

or forum to determine the terms of [FRAND] licenses.”230 The Court of Appeal of England and Wales acknowledged the current jurisdiction-by-jurisdiction “dysfunction[]” of resolving FRAND disputes.231 Accordingly, this section first reviews the current interventions to resolve FRAND term disputes and why they fail. Then, it explores the potential of developing a mandatory WIPO arbitration mechanism for FRAND disputes.232

A. Current Interventions

This section discusses some of the current interventions to the FRAND dispute chaos and their strengths and weaknesses.

1. Territorial Adjudication Under TRIPS

Territorial adjudication refers to the idea that a court’s jurisdiction in a FRAND dispute should be limited to determining the FRAND licensing terms only for patents issued by that specific jurisdiction.233 No national court would have “the authority to set global FRAND royalty rates,” and parties would be required to litigate in each national court “[t]o the extent the litigating parties could not agree on applicable royalty rates for [such] countries’ patents.”234 Territorial adjudication would be a quick solution to the existing courts’ competition for jurisdiction,235 but it also has problems.

First, territorial adjudication subverts the aim of the FRAND licensing regime. The idea of FRAND licensing, by its very nature, aims to require patentees to grant licenses worldwide “to minimize . . . economic distortions.”236 The territory adjudication approach brings back the exact cost of jurisdiction-by-jurisdiction resolution that FRAND licensing aims to

231. Optis, [2022] EWCA (Civ) 1411 [115].
232. In the most recent decision in Optis v. Apple, the Court of Appeal, in its postscript, proposed that “[t]he only way to put a stop to such behaviour is for SDOs like ETSI to make legally-enforceable arbitration of such disputes part of their IPR policies.” Id.
233. Greenbaum, No Forum to Rule Them All, supra note 80, at 1117–18. “[A]bsent other agreement by the parties, the national courts of each country will have jurisdiction for FRAND licensing determinations only for patents issued by that territory.” Id. at 1117.
234. Id. at 1118–19.
235. “[T]erritorial adjudication ends the jurisdictional competition” and “is consistent with principles of comity” by allowing each country to “determine the validity and enforceability of its own patent rights.” Id. at 1119.
236. See Lichtman, supra note 8, at 1033–35. In Unwired Planet International Ltd. v. Huawei Technologies (UK) Co., the U.K. Supreme Court specifically affirmed that “a UK portfolio licen[s]e” is not FRAND, but “a worldwide license” is FRAND because the telecommunication industrial practice is that “every patent licen[s]e which the parties had produced in the trial bundles was a worldwide portfolio contract” and “[t]he IPR Policy of IEEE is intended to have international effect.” See [2020] UKSC 37 [25], [48], [62] (appeal taken from Eng.).
reduce—the cost devoted to determining the value of specific patents in the portfolio in each jurisdiction. The sliding scale effect of parties knocking at the doors of courts of each jurisdiction to get a FRAND term jurisdiction by jurisdiction practically overturns the very essence of having a FRAND term in the first place.

Second, territorial adjudication only works if each and every jurisdiction facing a FRAND dispute observes the same boundary, which usually functions only under a formal treaty. With the prevalence of ASIs and anti-ASIs, it is unlikely that courts will voluntarily surrender their claimed authority over the global FRAND rate-setting. In fact, despite their treaty obligations under the U.N.’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), courts still compete to issue ASIs and anti-ASIs and pick on each other’s practices.

2. “Baseball-Style” SSO-Enforced Arbitration

A “baseball-style” SSO-enforced arbitration refers to a mechanism where parties agree to allow an arbitration association specified by the SSO to resolve the FRAND dispute. Under the regime, when disputes arise, each party submits to the arbitrator a binding, “purely monetary” offer that it would accept for licensing of the SEP portfolio (a “Final Offer”) and promises that if no consensus is reached between the parties, the arbitrator

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237. See id.; see also supra Part II.


239. The courts of an increasing number of countries have held that they have jurisdiction to determine the terms of a global FRAND licen[s]e either with or, in some cases, even without the consent of both parties.” Optis, [2022] EWCA (Civ) 1411 [12]; see also supra Section III.B.5.

240. Article 41.1 of TRIPS requires that its members’ domestic intellectual property enforcement procedures shall be “applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.” See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 41, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 (amended by the 2005 Protocol Amending the TRIPS Agreement). https://www.wto.org/english/docs_e/legal_e/trips_e.htm#art41

241. Lemley & Shapiro, supra note 20, at 1141.
is authorized to pick from the Final Offers submitted and bind the parties. The “baseball-style” arbitration seeks to have “a private decision maker who does not have the power to issue an injunction” to end the ASI chaos and incentivize parties to “make reasonable proposals” to avoid losing their Final Offer.

The regime leads the discussion of resolving FRAND disputes through arbitration, but leaves many critical issues unanswered. First, which arbitration association or arbitrator should the parties choose? Since the arbitration serves to set the license fee of SEPs, out of the same antitrust concern, SSOs may be reluctant to set up such an arbitration regime within the organization. This leaves the parties to find arbitration associations or arbitrators without input of SSOs. While the “baseball-style” Final Offer arbitration has been adopted to settle salaries of Major League Baseball players in the United States, the mechanism may face challenges in other jurisdictions. The potential annulment, set-aside, and challenge of such arbitral awards and the unfamiliarity of the Final Offer mechanism by arbitrators of certain countries will bring back the forum-shopping concerns associated with FRAND litigations.

Second, the regime is no guarantee that a FRAND rate will be chosen. FRAND royalty negotiations usually consider various factors on top of the

242. Id. at 1141, 1144–45.
243. Id. at 1143.
244. Id. at 1144.
245. Besides the questions discussed in this Note, other criticisms include the dissimilarity of baseball player salaries and FRAND licensing rates, oversimplification of FRAND disputes by adopting the Final Offer regime, insufficient transparency in award-making, and inconsistency of FRAND rates for similar SEP portfolios. See J. Gregory Sidak, Mandating Final-Offer Arbitration of FRAND Royalties for Standard-Essential Patents, 18 STAN. TECH. L. REV. 1, 10–11, 14 (2014); Contras, Global Rate Setting, supra note 16, at 732.
246. Many SSOs’ IPR policies are intentionally left vague. Apart from uncertainties in “the ultimate value of the technology,” “fear of antitrust liability” arising from “unlawful price fixing” also plays a role. Joshua D. Wright, SSOs, FRAND, and Antitrust: Lessons from the Economics of Incomplete Contracts, 21 GEO. MASON L. REV. 791, 796 (2014). See also Contras, Global Rate Setting, supra note 16, at 705–06, 752–53.
247. See Danilo Ruggero Di Bella (Bottego Di Bella), “Final-OffeArbitration”: A Procedure to Save Time and Money?, KLUWER ARB. BLOG (Jan. 25, 2019), http://arbitrationblog.kluwerarbitration.com/2019/01/25/ final-offer-arbitration-a-procedure-to-save-time-and-money/ [https://perma.cc/W99U-7UYF]. “[I]n some jurisdictions the lack of reasons is per se a ground to annul the award.” Id. For example, the Spanish Arbitration Act requires an arbitration award to state reasons. Id. (citing Spanish Arbitration Act art. 37 (B.O.E. 2003, 309). An award made under the baseball-style “could be also set aside” because “such an award could not fulfill arbitrator’s mandate to address every relevant issue of the dispute.” Id. Such an award may also be challengeable when a party may not be “able to present its case.” Id.
248. Id.
licensing rate of the SEPs; such factors also include the longevity and success of the industrial standard, potential antitrust allegations, and net balancing of cross-licensing. By mandating the arbitrator to choose between two Final Offers, the regime neglects the possibility that neither party submits a genuine FRAND royalty due to lack of information and lack of ability to adjust Final Offers. Even if one of the Final Offers is reasonable, an arbitrator may fail to choose the reasonable FRAND rate by avoiding “overcompensating—not undercompensating—the SEP holder” if the arbitrator weighs consumer prices heavily.

3. Global FRAND Tribunal

The proposal of a global FRAND rate-setting tribunal provides that SSOs should mandate or offer their members the ability to “resolve all disputes regarding the level of FRAND royalties . . . through an international, non-governmental rate-setting tribunal.” The new non-governmental body would host prevalent commercial arbitration associations and technology-specific arbitration associations to hear FRAND disputes. Proposed functions include the capability of determining SEP validity, reevaluating the essentiality of SEPs in standards, determining FRAND rates for specific standards, and disclosing the reasoning and methodology behind FRAND rate calculations.

While the idea of a global FRAND tribunal inspires discussion of resolving FRAND disputes through a third-party independent non-governmental organization, the barriers of time and cost of establishing a new organization, obtaining consensus among SSOs and other stakeholders, and concerns of national interest may make the proposal impractical in the short term.

250. See Lim, supra note 83, at 41. “If the standard is commercially successful, implementers are willing to pay a much larger royalty for the use of the patented technology than they would have paid ex ante, when the SEP holder faced competition from other technologies.” Melamed & Shapiro, supra note 31, at 2114.


252. See Sidak, supra note 245, at 37.

253. The parties are denied “the opportunity to observe information about the other party’s beliefs regarding the magnitude of the true FRAND royalty” and “lack the ability and incentive to adjust their proposals closer to each other’s proposal,” which may “distort” the FRAND rate awarded by the arbitration based on the parties’ Final Offers. Id. at 29.

254. Id. at 32. “From a static perspective, the arbitrator may perceive that the greater evil to avoid is overcompensating—not undercompensating—the SEP holder, since the royalties that the implementer pays on its downstream products may affect consumer prices and may be observable in the near term.” Id.

255. Contreras, Global Rate Setting, supra note 16, at 738.

256. See generally id. at 738–53.

257. See generally id.

258. See Tsang & Lee, supra note 218, at 381–82.
B. A New Proposal: Adjusted WIPO Mandatory Arbitration for FRAND Disputes

1. Reference to the Domain Name Dispute Resolution Mechanism

The Uniform Domain Name Dispute Resolution Policy (UDRP) regime sheds light on a practical way to resolve FRAND disputes. Like FRAND disputes, domain name disputes arise from territorial rights of trademarks or service marks with worldwide impact. The Internet Corporation for Assigned Names and Numbers (ICANN), with its UDRP, resolves domain name disputes related to trademarks or service marks through a “mandatory administrative proceeding” at ICANN. The UDRP, including the dispute resolution mechanism, applies to almost all domain name holders because it is “incorporated by reference into” domain name holders’ registration agreements. The disputes are decided by a panel appointed by a dispute resolution service provider approved by ICANN. The panel decision is reviewable at a court of “Mutual Jurisdiction,” which refers to a court at the location of either “the principal office of the Registrar [of the domain name] . . . or . . . the domain-name holder’s address.”

The ICANN mechanism provides expedited and low-cost resolution of domain name disputes:

http://www.icann.org/udrp/udrp-forum--rules-2012-02-25-en [https://perma.cc/CP79N-4N4F] (last visited Jan. 31, 2023). The UDRP allows parties to submit the dispute to “a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded.” See UDRP, supra note 261, art. 4(k). Once the administrative panel decides on the dispute, parties are allowed to commence a lawsuit within ten business days. Id. Otherwise, the domain name will be cancelled or transferred following the panel decision. Id.


262. See UDRP, supra note 261, art. 1.

263. See generally id. The approved dispute resolution service providers include, but are not limited to, the World Intellectual Property Organization. See INTERNET CORP. FOR ASSIGNED NAMES AND NUMBERS, LIST OF APPROVED DISPUTE RESOLUTION SERVICE PROVIDERS, https://www.icann.org/resources/pages/providers-6d-2012-02-25-en [https://perma.cc/C879-4N4F] (visited Jan. 31, 2023). The UDRP allows parties to submit the dispute to “a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded.” See UDRP, supra note 261, art. 4(k). Once the administrative panel decides on the dispute, parties are allowed to commence a lawsuit within ten business days. Id. Otherwise, the domain name will be cancelled or transferred following the panel decision. Id.
disputes under the hands of experts from specific areas of technologies and reaches parties in almost any jurisdiction.\textsuperscript{265}

The ICANN domain name dispute resolution provides an essential reference to FRAND dispute resolution. Both dispute resolutions involve territorial intellectual property right (trademark in domain name disputes and patents in FRAND disputes); both have a global impact; and both could be “time-consuming and costly.”\textsuperscript{266} ICANN’s practice of resolving domain name disputes demonstrates the possibility of resolving intellectual property enforcement-related disputes through “mandatory arbitration.”\textsuperscript{267}

2. Introduction to the Current FRAND Arbitration and Mediation System at WIPO Center

As discussed above, relying on courts of different jurisdictions to rule on a global FRAND dispute has led to ASI-anti-ASI deadlocks. Currently, FRAND disputes do have their own arbitration regime.\textsuperscript{268} The WIPO Arbitration and Mediation Center (“WIPO Center”) currently accepts arbitration claims concerning FRAND terms.\textsuperscript{269} The WIPO Center provides “tailored model submission agreements” to enable parties to resolve FRAND disputes under either “WIPO Mediation, WIPO Arbitration, WIPO Expedited Arbitration or WIPO Expert Determination.”\textsuperscript{270}

Under the current WIPO arbitration regime, a party may initiate the proceedings at WIPO by a “unilateral request for mediation,” a “unilateral request for expert determination,” or a demand for arbitration under a contract clause.\textsuperscript{271} The scope of the arbitration, at the choice of parties, could be “specific SEPs, a collection of SEPs, an entire SEP-portfolio, or a ‘sample’ of representative patents (consensually) chosen from a[n] SEP-portfolio” for a global FRAND licensing or for a particular jurisdiction.\textsuperscript{272} The parties may agree that the arbitral decision is not binding.\textsuperscript{273} “[E]ach party will be requested to appoint one arbitrator; the two arbitrators thus

\textsuperscript{266} See generally id.
\textsuperscript{267} Contreras, Global Rate Setting, supra note 16, at 730–31.
\textsuperscript{268} See Eli Greenbaum, Forgetting FRAND: The WIPO Model Submission Agreements, LES NOUVELLES; June 2015, at 82–83 [hereinafter Greenbaum, Forgetting FRAND].
\textsuperscript{270} See id.
\textsuperscript{272} Id. at 8.
\textsuperscript{273} Id.
appointed will then appoint the presiding arbitrator.”

“[U]nless otherwise agreed by the parties or required by law, the existence of the arbitration, information on disclosures made during the arbitration, and the arbitration award itself enjoy high standards of confidentiality protection.” An arbitral tribunal will have limited power to take any interim measures.

3. Proposed Mandatory Arbitration at WIPO

The fact that an arbitral decision, at the option of parties, could be nonbinding renders WIPO arbitration unattractive: why would parties extend costs on a nonbinding arbitral decision, while a court’s decision, even an ASI, may add bargaining power in FRAND negotiations? The lack of an ex ante agreement to have WIPO arbitration as the final and binding dispute resolution channel for FRAND disputes also impedes FRAND dispute parties’ ability to resort to the existing WIPO arbitration mechanism.

Under the proposed WIPO arbitration regime, as part of SSOs’ bylaws and intellectual property policies, SSO members would undertake that WIPO arbitration should be mandatory and the sole and final dispute resolution channel for a global FRAND dispute, regardless of the nationality of the counterparty or the jurisdiction of patents under dispute. SSOs should further incorporate WIPO’s Model Submission Agreement for FRAND disputes as an appendix in their policies, and the parties should be required to sign the agreement upon either party’s submission of the FRAND dispute to WIPO. Since some jurisdictions do not accept the third-party beneficiary theory, thus refusing to enforce contractual commitments under SSO policies, the proposed dual agreement to arbitrate ex ante and ex post would ensure that parties of a FRAND dispute enter into valid

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274. Id. at 9.
275. Id. at 12.
276. “The model submission agreements propose limiting the arbitral tribunal’s power concerning interim injunctions in a FRAND arbitration, unless otherwise agreed by the parties.” Id.
278. In practice, some SSOs have adopted a similar mandatory arbitration approach in intellectual property-related disputes. For example, the Digital Video Broadcasting Project mandates disputes among members to be resolved under the Rules of Conciliation and Arbitration of the International Chamber of Commerce. The arbitration takes place in Frankfurt, Germany. German substantive law applies. See DIGIT. VIDEO BROAD. PROJECT, MEMORANDUM OF UNDERSTANDING art. 14.7 (2014), http://www.dvb.org/resources/public/documents_site/dvb_mou.pdf [https://perma.cc/9M3D-ABMV]; see also Contreras, supra note 16, at 730 (introducing other SSOs with mandatory arbitration clauses).
279. Enforcing an “exclusive forum selection clause” against standard implementer may be problematic in jurisdictions where “a forum selection clause may not bind a third party even if he or she knows the existence of the clause.” See Tsang & Lee, supra note 218, at 376–77.
arbitration agreements and would facilitate enforcement of arbitral awards made by WIPO in domestic courts.\textsuperscript{280}

WIPO’s current Model Submission Agreement for FRAND disputes and its guidance on alternate dispute resolution options in FRAND disputes should be revised to require parties to take WIPO arbitral awards as final and binding determinations of the FRAND disputes between the parties. Under the proposed WIPO mandatory arbitration, a party initiating the arbitration could still decide the size and composition of the SEP portfolio, subject to the other party’s counterclaim of resolving other SEPs’ licensing rates and cross-licensing requests.\textsuperscript{281} The proposed WIPO arbitration mechanism, as a dispute resolution forum not attached to any specific jurisdiction, would overcome the very concern of losing exclusive judicial authority over evaluating patents to another jurisdiction.\textsuperscript{282} The proposed mechanism also provides a neutral forum by allowing parties to elect arbitrators and having the party-elected arbitrators elect a presiding arbitrator.\textsuperscript{283}

4. Authority to Interim Measures

Despite the fact that the proposed WIPO arbitration would only hear FRAND disputes and would solely decide FRAND licensing terms, the WIPO arbitrators should have the authority to grant interim measures, including the power to order parties to suspend or withdraw all court proceedings that could influence the FRAND arbitration.\textsuperscript{284} During the arbitration, the arbitral tribunal should be the sole adjudicator of the dispute. This rule serves to provide a more efficient resolution to FRAND disputes by deterring the arbitrating parties from filing lawsuits in courts of different


\textsuperscript{281} Some scholars view the flexibility of the scope of arbitration as a problem of “royalty-stacking.” See Greenbaum, \textit{Forgetting FRAND}, supra note 268, at 86. The practice of SEP owners or SEP implementers holding certain SEPs out of an ongoing litigation serves a practical purpose when courts of different jurisdictions may grant different SEPs based on different benchmark rates. See Contreras, \textit{The New Extraterritoriality}, supra note 6, at 262. However, under the mandatory WIPO arbitration, it would be cost-inefficient for parties to do so because WIPO arbitration would be the sole dispute resolution entity.

\textsuperscript{282} See supra Section IV.C.

\textsuperscript{283} See supra Section V.A.2.

jurisdictions to add to their own bargaining power and by ensuring acceptance of a FRAND term decided by the arbitral tribunal. This also aims to stop the chaos of seeking ASIs and anti-ASIs by parties and concentrates the sole adjudicating authority on the WIPO arbitral tribunal.

5. Promising Enforcement Arbitral Award

The arbitral awards rendered by WIPO arbitration should be enforced under the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. For recognition and enforcement of the award, the arbitral award should limit its decision on FRAND terms as a contract dispute and avoid making decisions on potential public policy issues, including, but not limited to, patent validity, patent infringement, and antitrust violations. This ensures that local courts will enforce the arbitral award made by WIPO without nonarbitrability or public interest concerns. In addition, the SSO should require its members’ consent that any arbitral award made under WIPO arbitration on FRAND terms be binding on the parties only. This serves to shield SSOs from price-fixing antitrust concerns.

CONCLUSION

ASIs and anti-ASIs are dragging technology market participants into a bottomless chasm. Parties utilize the territorial nature of SEPs to gain bargaining chips for their FRAND negotiations. At the same time, courts of different jurisdictions compete to set up their authority to rule on a global FRAND rate. Courts generally consider the identities of the parties in dispute, the impact of the foreign parallel litigation, the parties’ interests,

285. “The IPR Policy imposes a limitation on a SEP owner’s ability to seek an injunction, but that limitation is the irrevocable undertaking to offer a license of the relevant technology on FRAND terms, which if accepted and honoured by the implementer would exclude an injunction.” Unwired Planet Int’l Ltd. v. Huawei Techs. (UK) Co. [2020] UKSC 37 [61] (appeal taken from Eng.).

286. “[B]y centralizing the dispute resolution in one single venue, arbitration procedures can avoid the costs and conflicts of ASIs and subsequent legal proceedings in multiple jurisdictions.” Tsang & Lee, supra note 218, at 380 (citing Guillaume Areou & Christophe Arfan, The Use of Arbitration in FRAND Disputes, 2021 INT’L BUS. L.J. 327, 339).

287. The New York Convention applies to “the recognition and enforcement of arbitral awards made in the territory of a State other than the State where the recognition and enforcement of such awards are sought.” New York Convention, supra note 280 art. 1.

288. Ruling by arbitration on antitrust issues may lead to refusal of recognition and enforcement of an arbitral award under Article V of the New York Convention. See id. art. V. Arbitral awards ruling on intellectual property may even preclude application of the New York Convention. Tsang & Lee, supra note 218, at 382.

289. New York Convention, supra note 280, art. V.

290. See supra Section V.A.2.
and international comity in adjudicating ASIs and anti-ASIs. However, due to courts’ exclusive authority to rule on patent validity and enforcement disputes, in FRAND disputes, courts struggle to justify their decisions in extraterritorial global FRAND rates. The race to grant ASIs, anti-ASIs, and even anti-anti-ASIs is frustrating the purpose of FRAND commitment in the first place: to provide a one-basket deal for SEP holders and implementers by reducing the monetary and time cost of resolving patent enforcement disputes.

The chaotic territorial practice of the past several years proves the need for a forum not attached to any particular jurisdiction to adjudicate global FRAND disputes. This Note proposes modifying the existing WIPO arbitration mechanism to serve as a mandatory dispute resolution mechanism for FRAND disputes. With cooperation from SSOs, a revised WIPO arbitration rule would minimize the monetary and time cost of resolving global FRAND rate-setting disputes. Rather than filing vexatious and duplicative lawsuits in various courts and assuming the uncertainties in cross-border enforcement of judicial decisions, parties under a mandatory WIPO arbitration mechanism would resolve global FRAND disputes effectively and efficiently.

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